



Daily Report

LAST ISSUE

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LAST ISSUE

Latin America

FBIS-LAT-96-139
Thursday
18 July 1996

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Daily Report Latin America

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Cuba

Cuba: Helms-Burton Law Said Illegal Despite Postponement

PA1707143096 Havana Radio Havana Cuba
in Spanish 1300 GMT 17 Jul 96

[From the "Morning Information Review" newscast]

[FBIS Translated Text] Cuban Foreign Minister Roberto Robaina said in Havana that nothing changes the illegal and interventionist nature of the Helms-Burton law, not even after U.S. President William Clinton postponed for six months the enforcement of Title 3 of this law, which stipulates penalties on firms and enterprises with investments in Cuba.

Robaina said that the White House's decision does not eliminate the extraterritorial nature of the law and that the U.S. Government attempts to please both God and the devil, this is to say, its main allies and the Cuban-U.S. mafia, halfway through the U.S. electoral campaign.

Robaina said that, with the postponement of Title 3 of the Helms-Burton law, the supreme empire grants the world's sovereignty a six-month respite while trying to obtain support from other countries for this hostile policy against Cuba. The world, which for years has been rejecting the U.S. aggression against Cuba, will not support the United States in this new interventionist adventure, Robaina said.

The European Commission, the Central American Parliament, and officials from Panama and other countries described as timely President Clinton's decision to postpone the enforcement of Title 3 of the anti-Cuban, Helms-Burton law until February 1997.

Cuba: Commentary on U.S. President's Decision on Title 3

PA1707214896 Havana Radio Rebelde Network
in Spanish 1700 GMT 17 Jul 96

[Commentary by Orlando Contreras; from the "National Radio News" newscast]

[FBIS Translated Text] Why does President Bill Clinton, after two days of lobbying in Camp David, decide to postpone the implementation of Title 3 of the Helms-Burton law? Before trying to answer that, I find it necessary to explain that with or without Title 3, the law violates international law. As the EU noted in Brussels, it continues to be viewed as illegitimate. Clinton, after much waver, decided to postpone the title until May 1997, which postponed the implementation of the so-called Title 3 again for another six months, for two reasons. First, surveys showing voter preferences have

given Clinton a comfortable lead of nearly 20 points over his opaque and conservative Republican contender, Robert Dole, even by losing the state of Florida, a circumstance which is normal for the Democratic Party.

After saving his first priority, which was his seat at the White House, it seemed quite reckless not to heed to one of the greatest joint rejections that any U.S. President has ever had to face, and support, by giving the green light to Title 3 in August.

Clinton said, after announcing his decision, that he will make every political and diplomatic effort to reverse the international community's unanimous rejection of the law's extraterritorial nature. As was to be expected, the Miami mafia turned against Clinton, because he did not side with them again.

Lincoln Diaz-Balart, one of Jorge Mas Canosa's employees at the U.S. House of Representatives, has accused him of being jelly-like.

Jesse Helms, the Jurassic-era senator from North Carolina, and one of the law's sponsors, has said that Clinton has demonstrated his lack of courage, and has capitulated to Fidel Castro and his foreign collaborators.

It is good of him to say that the world collaborates with Cuba, because everybody has rejected the Helms-Burton law.

Let us continue. According to the opinion surveys, Clinton greatly improved his position in Florida but did not appear as a clear winner even after reaching the point of subordinating the interests of the nation to the Miami mafia, and taking the international public opinion's rejection to a critical point, in order to achieve a hypothetical victory in Florida. The latter did not turn out to be politically profitable for two reasons. First, the surveys widely favor Clinton even without Florida. Second, there was no guarantee that the Miami mafia, after a new concession, would honestly support Clinton. There are precedents of that.

In 1992, then presidential candidate Clinton endorsed the Torricelli law and, even so, he lost Florida by 100,000 votes to a discolored George Bush. This time, Clinton ran the risk of alienating important sectors of the political class and others, who are not so consistent, in the business community. The decision was not easy for him but, according to European and U.S. analysts, he opted for the best decision within the clumsy and backward framework of the Helms-Burton law, which is still standing.

Cuba: Decision on Law Termed 'Political Blackmail'

PA1807050196 Havana PRENSA LATINA in Spanish 0419 GMT 18 Jul 96

[FBIS Translated Text] Havana, 18 Jul (PL) — According to an official from the Cuban Foreign Ministry, U.S. President William Clinton's decision on Title 3 of the Helms-Burton law constitutes political blackmail.

Rafael Dausa, deputy director of the North America Office of the Cuban Foreign Ministry, said in a television appearance last night that by postponing the possibility of legally processing foreign investors in the island, Clinton only granted them the opportunity to leave Cuba.

Last Tuesday, Clinton approved the implementation of Title 3 of the Helms-Burton law but postponed until February 1997 the authorization to file lawsuits against foreign companies or citizens doing business with former U.S. properties in this country, which were confiscated after 1959, as the clause states.

According to Dausa, the U.S. President not only tried to tell the world to leave Cuba but tried to tell them to join the U.S. hostile policy against this nation.

He noted that the initial international reactions to the announcement made by the U.S. President were very cautious because the threat remains and court cases could begin after the time is up.

He said those who support the new legislation in the United States will not achieve their objective of discouraging the flow of foreign capital into the island.

Finally, he predicted that the Helms-Burton law, just like its predecessor, the Torricelli law, will fail in its attempt to obstruct the economic strategy drafted by the Cuban authorities, and therefore, it will be unable to attain its fundamental objective, which is to destroy the revolution.

Cuba: CNN Interviews Alarcon on Law Postponement

PA1807051296 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 18 Jul 96

[Interview with Ricardo Alarcon de Quesada, president of the National Assembly of the People's Government, by Jorge Gestoso from CNN Television on 17 July; place not given; from the "NTV" newscast —recorded]

[FBIS Translated Text] [Gestoso] Okay, Mr. Alarcon, what is your government's official reaction in view of President Clinton's decision to postpone for six months the application of one of the clauses of the Helms-

Burton law, the controversial Title 3, which authorizes U.S. citizens to file lawsuits against the companies of third countries that invest in Cuba?

[Alarcon] We reject the entire law from the title to the final word. It is a law that violates Cuba's sovereignty and is also an attempt against the sovereignty of all countries of the world. Therefore, our position in this regard would not have changed even if Clinton had done what he did not do. He did not implement what many countries had been asking him to do, which was the possibility of suspending the application of Title 3. Actually, what he did was to implement that section even though he extended the deadline for the filing of lawsuits as stipulated in the section. It is a formula that has placed him in an even more uncomfortable position, because everyone has rejected that formula.

[Gestoso] Do you believe the motivation to announce a middle-of-the-road decision like this was political?

[Alarcon] It is a strange policy, because the effect has been...

[Gestoso, interrupting] I am referring to the proximity of the elections.

[Alarcon] So far, I have seen that Republicans have strongly criticized it. When this electoral carnival ends in the United States, they will have to think with a statesman's mind and realize that the entire law and Title 3, but also the first and second sections, place the United States in a bad position before the world. Besides, it will not work. It will not produce the results they want.

[Gestoso] What will Cuba's strategy be to confront the Helms-Burton law? [Alarcon] We will continue to move in the same direction we have thus far. We will continue our policy of opening to foreign investment, which has not vanished nor will it vanish because of this law, and we will remain firm in our conviction that this law will fail as have other previous attacks on Cuba.

[Gestoso] What has been the reaction of the Latin American governments to the U.S. decision?

[Alarcon] Concerning this last decision, I am not aware of the Latin American reaction. However, you must recall that recently, the OAS General Assembly, which met in Panama, unanimously approved a resolution on this law, which we believe was quite categorical and demonstrated the common position of the entire Latin American region in rejection of the so-called Helms-Burton law.

[Gestoso] Can it be gauged, in quantitative terms, to what extent the threat to fully implement the Helms-

Burton law has discouraged foreign investments in Cuba?

[Alarcon] Some people might be concerned about this; this would be logical and normal. However, I can assure you that the law has not had the effects that its proponents predicted and we are convinced that it will not have such effects.

[Gestoso] On Monday, the UN Security Council must issue a statement regarding the report on the incident of the two downed anti-Castro planes by a Cuban fighter bomber. What do you forecast?

[Alarcon] Let's see what happens and the next move by the United States will be. However, if we examine the way this matter has been dealt with, I believe the main point that must be considered by the UN Security Council is the report submitted by the International Civil Aviation Organization [ICAO]. On 27 June, the ICAO adopted a resolution that our country not only approved, but found perfectly appropriate. This resolution reaffirmed the fundamental principles that must rule all matters related to international civil aviation, and it did not condemn Cuba as expected by the United States. During the discussion that took place when the issue was being evaluated, most ICAO members agreed that Cuba should not be condemned, and I hope these views will be reflected in the deliberations and the decision to be adopted by the UN Security Council next week.

**Cuba: Spanish Businessmen on Policy,
Helms-Burton Law**

LD1707111696 Madrid RNE-1 Radio Network
in Spanish 0600 GMT 17 Jul 96

[FBIS Translated Text] Julio Anguita, coordinator of United Left, is now in Cuba. In the early hours of this morning he had a meeting with President Fidel Castro. There were no official statements after the interview, but what has been learned is the view of Spanish businessmen on the island after they had heard about the delay in the application of the Helms-Burton law. A report from our special correspondent, Carmen Hernandez.

[Hernandez] Castro's talks with the United Left coalition lasted until 0100 and so far nothing has emerged on the meeting. The Cuban president did not wish to make any statements and therefore did not comment on President Clinton's decision on the Helms-Burton law, an issue on which official Cuban circles have a detached view since, the argument goes, it affects relations between other countries and the United States and neither improves nor worsens Cuba's situation.

The president of the association of Spanish businessmen in Cuba has said that Clinton's decision is a breathing space for Spanish companies, but is nothing definitive because one cannot know what will happen in six months' time. In the opinion of the president of the association, the Helms-Burton law could indirectly benefit small and medium-sized companies by freeing them from the competition of the big companies that have interests in the United States. In the view of Rafael Garcia Aznar, Spanish investors were more concerned about the Spanish Government's policy on Cuba than by the Helms-Burton law itself:

[Begin Garcia Aznar recording] I would say that there have been times when, possibly, there has been more concern about what our own government's economic policy is toward Cuba, whether it has questioned or not cooperation with and help for Spanish businessmen, more than the well-known impact of the Helms-Burton law. I believe that this is a concern for us that is more important than the application of the law. At this level of companies, I mean. At this level of companies we are more concerned about what our state and government decides than the law itself. [end recording]

[Hernandez] The association of Spanish businessmen in Cuba is the only employers' organization on the island. It was legalized two years ago and brings together almost half the 120 Spanish companies operating there.

**Cuba: Spanish Left Leader on Castro Reaction to
Law**

LD1707151196 Madrid RNE-1 Radio Network
in Spanish 1200 GMT 17 Jul 96

[FBIS Translated Text] We return to the controversial Helms-Burton law because there is news just in. We reported earlier on the reaction to Clinton's decision to postpone the implementation of some of its articles. We also heard the first reaction by the Cuban foreign minister. Well, we now have the reaction of [Cuban President] Fidel Castro himself. This was given to Carmen Hernandez, the Spanish National Radio special correspondent in Havana.

[Hernandez] We learned Castro's reaction from Julio Anguita [leader of the United Left, IU] because the two leaders had a meeting yesterday, or last night rather, until the early hours of this morning here in Havana.

On the Helms-Burton law and Clinton's decision, Castro believes that it is due to internal pressure from the Cuban opposition, which has a lot of influence over the U.S. Government, and external pressure from countries such as those of the European Union, which have shown, according to Castro, a very positive attitude

on this issue. According to Anguita, he and Castro agree that, on the other hand, the important point is that the law is in effect and this is the dangerous thing and, therefore, an attitude of rejection has to be maintained in all the international forums, and public mobilization has to be galvanized against the application of the law, but also against other previous laws such as the Torricelli bill and the blockade itself. This is how Anguita explained it to us a few minutes ago:

[Begin Anguita recording] I believe that there is agreement on this with President Castro: That the struggle and the mobilization, the participation in other bodies, the raising of the rejection of such a measure in forums, parliaments, and mobilizations is necessary. Because the problem is the law in its entirety. It is not only a matter of interference in sovereign affairs as a result of questions of sanctions against certain companies — the fact is that the conditions of the Helms-Burton law are unacceptable conditions because they are interference by one country in another country. [end recording]

[Hernandez] Meanwhile, the president of the association of Spanish businessmen in Cuba [Rafael Garcia Aznar] has said that the Helms-Burton law could even benefit small- and medium-sized companies, which would be freed from the competition of the other big companies which, having interests in both the United States and Cuba, would probably choose to withdraw from the island.

Cuba: Delegation Says U.S. Allowed 24 Feb Incidents

PA1807051196 Havana PRENSA LATINA in Spanish
2252 GMT 17 Jul 96

[FBIS Translated Text] United Nations, 17 Jul (PL) — The United States did nothing to stop the airplanes that violated Cuban airspace last 24 February although it had foreseen the possibility of an accident, the Cuban Mission to the United Nations said today.

The Cuban diplomatic mission gave the UN member states details of the U.S. attitude during the events of that day when two U.S.-registered airplanes at the service of the Brothers to the Rescue organization were downed.

The Cuban mission stated that on 23 February, the U.S. Department of State alerted that country's aeronautics services and other government institutions in southern Florida of the attempt to make "an unauthorized flight in Cuban airspace."

In addition, the documents on any incursion of this kind were requested, which makes it possible to affirm that U.S. authorities were in possession of information

regarding what the Brothers to the Rescue organization was preparing.

According to the Cuban delegation's argument, the airplanes belonging to that Miami-based group ignored the flight plan authorized by the Opa Locka airport and remained that way under the U.S. airspace and Miami flight information region for one hour and 45 minutes.

During their trajectory, the delegation added, the airplanes were controlled by U.S. antiaircraft defense radars and maintained a direct and sustained southern path toward Havana.

The Cuban mission stressed that U.S. authorities did nothing to stop the airplanes from violating its flight plan, nor did they alert the island's authorities although they were the only ones that could avoid a subsequent accident.

This is a case of unforgivable negligence and a lack of compassion, which is why, therefore, the main culprit of everything that happened is the U.S. Government, the mission stated.

The declaration was released a few days before the UN Security Council begins consultations for a meeting that is to issue a statement on the resolution adopted by the International Civil Aviation Organization (ICAO) on the downing of the Brothers to the Rescue airplanes.

Cuba: Canadian Company Official Rejects Helms-Burton Law

PA1707203196 Havana Radio Rebelde Network
in Spanish 1700 GMT 13 Jul 96

[From the "National Radio News"]

[FBIS Translated Text] Mrs. [Patrick Merigan Beth], vice president of the Toronto, Canada based Sherritt International, informed correspondent Demetrio Villaurrutia that her company will continue to do business in Cuba and that they could even increase business, despite the United States' warnings and threats to companies with investments in our country. Here are the details.

[Villaurrutia] [Begin recording] We are very proud of the work done by our company in Moa, Varadero, and Havana, both in the nickel and oil sectors, stated the vice president of Sherritt International, a Canadian mining company.

In an exclusive interview with Radio Rebelde, (Merigan Beth) also stated that they reject the United States' attempts to unilaterally decide through the Helms-Burton law what Canada and other nation's relations with Cuba should be.

The vice president of the Canadian mining company added that her company will support all the efforts made by their government to confront the Helms-Burton law, just as other European countries are doing today. That is why (Merigan Beth) stated that her mining company rejects their attempts to violate the independence and sovereignty of any country, something that the Helms-Burton law is trying to accomplish. [end recording]

Cuba: Balaguer Meets DPRK Vice President Yi Chong-ok

PA1707131096 Havana Te's Rebelde and Cubavision Networks in Spanish 0000 GMT 16 Jul 96

[From the "NTV" newscast]

[FBIS Translated Text] Yi Chong-ok, a member of the Politburo of the Korean Workers' Party and DPRK vice president, met today with Jose Ramon Balaguer, member of the Politburo of the Communist Party of Cuba. During the meeting, Yi and Balaguer discussed the relations between the two political organizations and the areas they are developing to boost those ties. Earlier, Balaguer and the delegation accompanying him had visited Vietnam, Laos, and China.

Cuba: PCC, CTC Holding Economic Efficiency Analysis

PA1707133696 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 7 Jul 96

[From the "NTV" newscast]

[FBIS Translated Text] The democratic participation of all segments of society constitute the basic characteristic of the assembly process of the Communist Party of Cuba (PCC) in all municipalities, as well as of the analysis of economic efficiency that the labor movement is conducting.

To address problems that have not yet been resolved is as politically healthy as to note what has been accomplished with sacrifice and devotion. This intellectual exercise is the closest thing to the definition of assessment. This is what the party has been doing in its municipal leadership entities all over the country. The composition of these assemblies has contributed to the guarantee of a broad discussion of all the local problems, through the participation, as delegates, of the secretaries of the party's cells, who, as a whole, represent the economic and social universe of every territory.

The already typical report that is submitted during these meetings in general eludes a description of accomplishments in order to make room for the elements that foster the analysis of the deficiencies and how the problems mentioned by the Politburo during its area visits these

past years have been resolved. If there is room to speak of a method for the debates, the points of reference can be found in the report submitted by Division General Raul Castro to the fifth plenum of the PCC Central Committee.

Another important process takes place along similar lines in terms of approach and spirit. The assemblies for economic efficiency are being held by the Cuban Workers Federation (CTC). A collective and profound reflection is also called for here, which, based on the assessment of what has already been done, is turned into proposals for the preparation, implementation, and control of the economy plan for the next year, basically stemming from the optimum utilization of available resources. The two processes used by the PCC and the CTC complement each other in their objectives and contribute to reinforce the principle of democratic participation by all Cubans in the fundamental aspects of our society.

Cuba: Holguin Finishes Building New International Airport

PA1807000396 Havana Radio Rebelde Network in Spanish 1700 GMT 13 Jul 96

[From the "National Radio News"]

[FBIS Translated Text] A new international airport terminal has been completed in Holguin, and will be soon be inaugurated as part of the 26th July celebration.

(Alexis Mejia Pomarron), president of the Provincial Assembly of the People's Government in Holguin, reported during yesterday's working session that the main construction work that will allow to begin commercial operations at Holguin's international airport has been completed. Thus, the province succeeded in achieving one of its most significant goals to mark the 26th July celebration.

Holguin's Airport Director Daniel Heredia, talked about the initial operations conducted at the airport in the past hours to prepare it to receive international flights.

[Begin Heredia recording] The results were excellent. We have run all the equipment, air conditioners, bars, protocol, immigrations and customs desks. [end recording]

The airport, which was built at a cost of over 12 million pesos, a large part of it in foreign currency, and was based on a national project submitted by experts of several enterprises in Holguin, is now ready for its official inauguration.

Heredia stated that the airport is equipped with the most advanced international technology to assist planes, passengers, and workers.

(Begin Heredia recording) The airport is important for Holguin, it will have extraordinary economic and social impact, because it will bring life to the province, and create employment. It will give a boost to tourism in the city, in Guardalavaca, and all the tourism centers.

I believe that completing this airport has been Holguin's best homage to the 26th July celebration, our martyrs, and Fidel. (end recording)

Cuba: Roadmap of Economic Developments Through 16 Jul

PA1707140896

(FBIS Report) The following is a compilation of reports on economic developments in Cuba monitored through 16 July.

Cuba and Venezuela on 6 July signed an aide memoire for technical assistance in various sectors. The Venezuelan Youth Ministry and the state of Apure are requesting the assistance of Cuban specialists on matters related to job training. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 7 Jul 96)

According to an 8 July, Mexico City datelined-report, a report released on 8 July by the Economic Commission for Latin America, ECLA, stated that the Cuban GDP grew 2.5 percent in 1995. The ECLA has attributed this growth to improved production results in key sectors such as manufacturing, construction, tourism, electricity, gas, running water, mining and non-sugarcane agriculture. The report highlights Cuba's strong showing in tourism, which in 1995 reported gross earnings totaling \$1.1 billion and 20-percent more visitors. (Madrid EFE in Spanish 1507 GMT 8 Jul 96)

Matanzas Province citrus fruit growers have reached their goal of harvesting 300,000 tons of grapefruit, oranges and lemon. This is a 58,000-ton improvement over the last harvest. (Havana Radio Rebelde Network in Spanish 1700 GMT 9 Jul 96)

The Club VIP tour operator is scheduling two weekly charter flights from Lisbon, Portugal to the Varadero beach resort, hoping to bring in 7,500 summer visitors by September. (Havana Radio Rebelde Network in Spanish 1700 GMT 9 Jul 96)

The Petroleum Drilling and Extracting Enterprise of Central Cuba has produced 60,000 tons of crude to date this year. The workers are confident they can finish 1996 with a production level of 1.085 tons, contributing significantly to the 1996 national goal of 1.5 million

tons. (Havana Radio Rebelde Network in Spanish 1155 GMT 16 Jul 96)

Preparations are reportedly under way to begin on 14 July the coffee bean harvest in Santiago de Cuba. This province contributes approximately 35 percent of the national production. Among the basic objectives of this year's harvest is the need to reduce losses and increase yield. In last year's harvest, production in this province reportedly dropped by 37 percent and failed to meet its export quota. (Havana Radio Rebelde Network in Spanish 1155 GMT 9 Jul 96)

Oil production in the central part of the country has reached 585,000 tons and workers pledged to reach 1.085 million metric tons of crude oil. Oil production, which last year rose by 26 percent, averages daily over 3,000 metric tons, on the basis of a high exploitation quotient in oil wells. Workers from the Petroleos del Centro Oil Drilling and Extraction Corporation announced in the coming days it will reach the 600,000-metric ton target. (Havana Radio Rebelde Network in Spanish 1155 GMT 10 Jul 96)

Salt production has reportedly increased by 11,300 metric tons in the first semester of this year at the largest salt production facility in Caymaneras Municipality, Guantanamo. The production of salt barely reached 80 percent of the target due to the unstable water density at the Bay. Workers stated they will guarantee the processing of fine salt agreed with the Foreign Trade Ministry for the current month. This facility is responsible for producing 60 percent of the salt for the country. (Havana Radio Rebelde Network in Spanish 1155 GMT 10 Jul 96)

More than 1,100 housing units were reportedly built in Cienfuegos Province during the first semester of 1996. This figure represents twice the number of housing units built in this province in the last year. The Ministries of the Sugar Industry and Agriculture delivered approximately 600 housing units in the Basic Cooperative Production Unit in this province. Other works being performed in the housing sector involve renovating homes foundations and floors as well as house painting. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 11 Jul 96)

The air terminal in Holguin Province has been virtually completed. Some 600 representatives from different air carriers have visited the new terminal. According to authorities, 12 million pesos were reportedly invested to build the airport facilities. This airport will be opened in Holguin on 26 July. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 13 Jul 96)

Holguin residents have restored unused machinery and irrigation system. They have increased considerably the amount of caballerias planted with tubers, grains, and vegetables. In the General Manuel Rodriguez Puentes facility, 42 caballerias are being irrigated with micro-jet technology. Of these, 22 caballerias have been planted with bananas. Holguin is expected to produce 3 million (units not given) of agricultural products this year. However, this is still not enough to feed 1.5 million people. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 14 Jul 96)

According to State Committee for Statistics estimates, the Cuban population totals 11.005 million people. This was reported on the occasion of the World's Population Day. As opposed to the accelerated growth of the world's population, Cuba is showing low fertility rates, comparable to those in developed nations. This is possible to the social transformations that increased the educational level of the population. The growth rate in the last few years has been below 1 percent annually. In the next two decades, it has been estimated the population group between 50 and 64 years will grow substantially. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 14 Jul 96)

Haiti

Haiti: Deputies Approve Report on Retirement Bill
PA1807025596 Port-au-Prince Signal FM Radio
in Creole 1130 GMT 17 Jul 96

[From the "0730 Appointment" newscast]

[FBIS Translated Text] The special commission formed not long ago at the Chamber of Deputies to analyze the bill on early retirement in the public administration finally voted the report on Tuesday, 16 July. The vote was reached with 36 out of 64 votes. The deputies have now to vote this bill article by article before the vote of the assembly, under the principles of the Constitution. The discussions were centered on the modifications they previously brought to this bill. The deputies voted on 16 July two of the preambles of the law, and will meet again today. After thorny debates, as I just said a moment ago, 34 [number as heard] out of 64 deputies voted yesterday afternoon in favor of the report of the special commission that was studying the bill on voluntary and early retirement in the public administration.

This weak majority in the votes clearly shows the nature of the discussions at the Chamber of Deputies on 16 July. The deputies still remain very divided on the report of the special commission, and blamed the official of the lower chamber for having hidden — according to what they say — a working document Minister Fred Joseph

said he had entrusted to the office of the Chamber of Deputies. In spite of this problem, the lower chamber voted the points in the preamble of this bill on early retirement in the public administration one by one. The session will continue today at the Chamber of Deputies.

Finance Minister Fred Joseph, who answered the convening of the deputies yesterday, said that there is a slight chance for the structural adjustment program to pass before the IMF if the Haitian parliamentarians really decide to implement this program, and vote it by the end of the week. Here are statements by Finance Minister Fred Joseph.

[Begin recording] [Joseph] The deadline has apparently expired because, when all is said and done, we know that we should have handed it over on 15 July because it needs a two-week circulating time within the IMF before it goes to the board. But the problem that comes up is that given the situation we are experiencing now... [pauses] The process, the voting process has begun normally. We cannot have it go faster. We must respect the autonomy and independence of the legislative palace that is working according to its own pace, but our deadline has expired. So, what we still have to do is to finish voting all our laws. As we committed ourselves to implementing the program, when they finish voting it, we will still be able to go and see what can be done with the IMF.

[Unidentified reporter] In the upper chamber, in the Senate, things are jammed, nothing is being done. That does not seem to be a priority for them.

[Joseph] This is not the information I have. I believe that they will work on the law precisely tomorrow. The commission adjourned for today and is typing its report for submission to the Parliament.

[Reporter] A fact remains certain: Is it that 29 July has been set as deadline [preceding word in English] for the government? Inevitably, everything must be done by 29 July.

[Joseph] It is a deadline. The deadline is the time limit according to the English term if you translate it, but we will not die because of that. If we do not manage to respect this date, we will be obliged to take another date. [end recording]

These were statements by the Economy and Finance Minister Fred Joseph, who strongly hopes that the parliamentarians will ratify this bill by the end of the week so it can reach the IMF for the release of funds in favor of Haiti. The minister also announced that the senatorial commission working on the bill on modernization of the state-owned enterprises will present its report to the assembly of senators tomorrow,

18 July. The minister of economy hopes the vote on this bill at the Parliament will be over by the end of the week.

Haiti: 'Other Actions' Alleged To Get Constant Deported

PA1807023896 Port-au-Prince Signal FM Radio
in Creole 1130 GMT 17 Jul 96

[From the "0730 Appointment" newscast]

[FBIS Translated Text] We are recalling that the Anti-FRAPH [Revolutionary Front for the Promotion and Progress of Haiti] Organization's deadline to the U.S. Government to set a date for the repatriation of Emmanuel Constant expired on 14 July. The Anti-FRAPH informs that for the moment other actions will be taken to put pressures on the U.S. Government so it will deport FRAPH leader Emmanuel Constant.

Haiti: Deputy Fils-Aime on Diplomatic Relations With China

PA1807023096 Port-au-Prince Signal FM Radio
in Creole 1130 GMT 16 Jul 96

[From the "0730 Appointment" newscast]

[FBIS Translated Excerpt] We should also point out that the Chinese delegation also went yesterday to the Haitian Parliament. Several Haitian parliamentarians including Deputy Alix Fils-Aime met on the afternoon of 15 July with this Chinese delegation headed by the ambassador of Peking to the United Nations. According to Deputy Fils-Aime, the parliamentarians took advantage of the meeting to establish the foundation of possible diplomatic relations between Haiti and China. The Petion-Ville deputy says he thinks any diplomatic relations with the PRC will imply a breaking in the relations between Taiwan and Haiti. Let us listen to Deputy Alix Fils-Aime at the microphone of Signal FM.

[Begin Fils-Aime recording] We discussed the prospects of relations that might be established between the PRC and Haiti. We also discuss the conditions of such relations. It is a condition of principle because it is acknowledged throughout the world by all countries that Taiwan is a province of China and that the condition of principle for the establishment of diplomatic relations between the two countries should normally be the cessation of the relations with Taiwan. I think this is a moral position, a position of principle. [passage omitted] [end recording]

This was the position of Deputy Alix Fils-Aime on the visit of the Chinese delegation to the Haitian Parliament on 15 July. We will point out that the ambassador of Peking to the United Nations did not want to make

any statements before the microphones of the journalists after he visited the Haitian parliamentarians.

Haiti: Qin Huasun 'Optimistic' About Relations With Haiti

PA1807023196 Port-au-Prince Signal FM Radio
in Creole 1130 GMT 16 Jul 96

[From the "0730 Appointment" newscast; passages within slantlines in Chinese with simultaneous translation into French]

[FBIS Translated Text] The official Chinese delegation, that has been visiting Haiti since Sunday, 14 July, will leave the country today, Tuesday. The head of this mission expressed satisfaction about the reception the Haitian Government reserved for them. Mr. Qin Huasun says he is optimistic as to the normalization of the relations between Haiti and China. Mr. Huasun answered the questions of Fares Duverne.

[Begin recording] [Qin Huasun] /The objective of our visit is to promote more the development of our bilateral relations and especially the problem of the normalization of the relations between the two countries, because China and Haiti have all reasons to come closer to each other, and to understand each other. We have no reason to move away from one another. Then, if you ask us what we are expecting from this visit, I will tell you that we are expecting an even faster development of the relations between China and Haiti.]

[Duverne, in French] Do you intend to convince the Chinese businessmen to invest in Haiti?

[Qin Huasun] [Words indistinct] [end recording]

The head of the Chinese Delegation, Qin Huasun, was answering Signal FM's questions after the dinner that was offered to the delegation, and the UN officials in Haiti last night by the Haitian minister of foreign affairs.

Besides the representative of China at the United Nations, the Chinese delegation includes various employees of the Ministry of Foreign Affairs and businessmen. They officially came to Haiti within the scope of a commercial visit aimed at favoring economic exchanges between Haiti and China.

The delegation met on the morning of 15 July at the National Palace with President Rene Preval and Haitian Prime Minister Rosny Smarth.

Haiti: Minister Remarks on Relations With PRC, Taiwan

PA1807035596 Port-au-Prince Signal FM Radio
in Creole 1130 GMT 15 Jul 96

[From the "0730 Appointment" newscast]

[FBIS Translated Text] A Chinese delegation entered the country on Sunday, 14 July. This delegation is headed by the ambassador of Peking to the United Nations. He met on the afternoon of 14 July with Haitian Foreign Minister Fritz Longchamp. During their stay in Haiti, the delegation will meet with the parliamentarians and the Haitian businessmen in order to facilitate commercial exchanges and Chinese investments in Haiti. We will listen in turn to statements by Minister Fritz Longchamp and the head of the Chinese delegation.

[Begin recording] [Longchamp, in French with simultaneous translation into Chinese] [Words indistinct] to receive this delegation whose presence on Haitian soil marks the interest of both countries in initiating an era of friendship and cooperation. Through our mission to the United Nations, we have started up fruitful discussions which will undoubtedly end up at least in intensive commercial relations.

Following the coup d'etat and during all the three years in exile of the legitimate government, the PRC has shown its support to the respect of the people's verdict expressed on 16 December 1990. In spite of some hesitations, the PRC has always understood the necessity to support the struggle for the reinforcement of the institutions, and the maintenance of an acceptable security level. In the name of the government and the Haitian people and in my own name, I wish a cordial welcome to the Chinese delegation. [end recording]

You were listening to Haitian Foreign Affairs Minister Fritz Longchamp and the head of the Chinese delegation that arrived in Haiti on Sunday, 14 July. The delegation is made up of nine members who will meet with several sectors in the Haitian national life. The members of the Chinese delegation will meet today with the Haitian President Rene Garcia Preval and Haitian Prime Minister Rosny Smarth.

The Chinese delegation will return to their country on 16 July, that is tomorrow, Tuesday. But prior to that, they will meet with several sectors in the country such as the parliamentarians, businessmen, and Haitian Government officials.

In the opinion of several observers, the visit of the Chinese delegation may have major negative consequences on the relations between Haiti and Taiwan. However, Minister Longchamp does not foresee any troubles in

the relations between these two countries. The Haitian chancellor also gave explanations at the microphones of several journalists on the statements of Deputy Gabriel Fortune who said that Longchamp had not taken any steps for the deportation of Toto Constant to the country. Let us listen to Minister Longchamp.

[Begin recording] [Longchamp] I believe there is no reason to speculate from the start on possible problems in the relations between Haiti and Taiwan. For the moment, what is being talked about is discussions between Haiti and the PRC.

[Unidentified reporter] Are we going to end up in the establishment of diplomatic relations between Peking and Port-au-Prince?

[Longchamp] We cannot foresee how far we will go. This is only something exploratory, something that is going slowly. We are now taking the first step.

[Reporter] Mr. Minister, Deputy Gabriel Fortune said lately that you had not really taken any step to negotiate the deportation of Toto Constant.

[Longchamp] What do you want me to say if that is the opinion of the deputy?

[Reporter] He said that you did not really take steps... [pauses] He even said that you have lied to both the Parliament and the population.

[Longchamp] Fritz Longchamp, minister or ambassador, never lies neither to the population nor to the political authorities in the country.

[Reporter] Concerning the PRC issue, is this a thawing in the relations or [words indistinct] since the Washington agreements when China was always reluctant to the sending of troops to Haiti. Is a certain normalization expected?

[Longchamp] Listen. There is something that you must see. Haiti is in discussions today with several countries, and not the least, for the establishment of diplomatic relations. Thus, you see that we have resumed diplomatic relations with Cuba. We just established diplomatic relations with Russia. We have restored diplomatic relations with Poland. Many things like that are being done. This is only one of them. The particularity of this case is that we do not have diplomatic relations with the PRC but we have diplomatic relations with the Republic of China that we here call Taiwan. According to the UN resolutions, the international community recognizes one China, but not two. So, if you have relations with the one, you cannot have relations with the other. This is what makes things difficult. So, we are talking, we are discussing, but nothing has been decided for the moment. [end recording]

**Haiti: Former General Claude Raymond Arrested
16 Jul**

PA1807035996 Port-au-Prince Signal FM Radio
in French 1900 GMT 17 Jul 96

[From the "1900 Flash"]

[FBIS Translated Text] Former General Claude Raymond, former head of the Haitian Army and then minister of the interior and national defense under the presidency of Jean-Claude Duvalier, was arrested on 16 July and was still under custody today in Port-au-Prince. The arrest of Raymond was made yesterday during the popular pilgrimage of the Saint D'Eau. The police did not give indications on the reason for this arrest. Three other people who accompanied Mr. Raymond including Samuel Dieu, Claude Schneider, and Prantz Bataille, former director of the weekly LE PETIT SAMEDI SOIR, were also questioned.

Former General Claude Raymond, who is considered one of the main Haitian neo-Duvalierist political officials, tried to participate in the elections as presidential candidate without any success, notably in November 1987 and in January 1988, but was dismissed by the electoral council.

**Haiti: Persisting Rumors of Assassination Plan
Reported**

PA1807043896 Port-au-Prince Signal FM Radio
in French 1900 GMT 17 Jul 96

[From the "1900 Flash"]

[FBIS Translated Text] There are possibilities of murders in the capital. Persisting rumors have reported a plan to assassinate several important personalities including President Rene Preval and former President Jean-Bertrand Aristide. Asked on that score, Haitian National Police (PNH) General Director Pierre Denize says that he has also heard those rumors and that measures have been taken in the PNH to verify their foundations and to apprehend the possible culprits.

Haiti: Correction—"Deadline" Set For Extradition

PA1007012996 Port-au-Prince Radio Metropole
in French 1045 GMT 8 Jul 96

[Corrected version of "The Morning Newscast;" originally filed as PA0907011096 and published on pages 9-10 of the 9 July Latin America DAILY REPORT; explanatory notes describe differences from initial FBIS version]

[planatory notes describe differences from initial FBIS version]

[FBIS Translated Excerpt] The hunger strike of the leaders of the Anti-FRAPH [Anti-Revolutionary Front for the Promotion and Progress of Haiti] Organization ended on 6 July. The members of this organization demand the extradition of FRAPH leader Emmanuel Constant by the U.S. authorities. Ansito Felix and his three partners led this hunger strike in front of the premises of the U.S. Embassy in Port-au-Prince for four days. After ending this hunger strike, the leader of this group called the Anti-FRAPH Organization promised to head anti-U.S. actions in Haiti if the U.S. Embassy does not announce a date for Emmanuel Constant's return to Haiti between now and 14 July. In statements to the press, militants of the Anti-FRAPH Organization showed their admiration for Libyan leader Muammar al-Qadhafi.

[Begin recording] [Felix] We speak very clearly and in a very precise manner. We say 14 July is the deadline for the Americans to give the date and day in the month of July for the arrival of Toto Constant and we say that if, after 14 July, they do not say... [pauses] The date of 14 July is the deadline. By the way, you see that we have done all we said that we would do. We have kept our word and have followed things to the letter. We say that if, by 14 July, the men do not say on what day in the month of July Toto Constant will arrive, we will give a hard time to the U.S. imperialists. We say we are going to... [pauses] We speak clearly. We say that in July 1915 they soiled our flag and humiliated us. We are going to soil their flag as well. There are internal things in the organization. I cannot publish our struggle plan. But it is certain that what we are going to do will have to do with humiliation, with the men's flag that we say we will soil. Yes, we say we will follow Qadhafi's example in dealing with them. We are clear about that.

[Unidentified speaker] This means that in the organizations ALADA [expansion unknown] and Anti-FRAPH, we say and repeat that we will follow the example of Qadhafi in dealing with them. This is a way to say to whom it may concern that we are ready for all forms of struggle. We have not declared war on anybody, but we will not refuse war, should it be with the powerful United States. [initial FBIS version read "but we will refuse war"] [passage omitted] [end recording]

18 July 1996

MEXICO

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Mexico: 'Text' of Communiqué on Electoral Reforms

PA1807051496 Mexico City XEW Television Network in Spanish 0330 GMT 18 Jul 96

["Text" of communiqué issued by the Government Secretariat on 17 July in Mexico City; from the "24 Hours" newscast]

[FBIS Translated Text] From the beginning of the current administration the Government of the Republic offered to carry out a profound political reform of the Mexican State. Toward that end, it adopted a democratic path of consultations and consensus with the country's political and social actors.

Today, a chapter of that political reform is being discussed: electoral reforms. After many months of work, many agreements have been reached between political parties and the government, and some differences are still being discussed in order to create new rules that will make it possible for Mexicans to definitely erase suspicions and conflicts in electoral processes.

Aware of the importance of these reforms, the government of the Republic and political parties have assumed their role with the highest sense of responsibility, drafting proposals that go beyond partial interests in order to create an electoral juridical order that will respond to the nation's highest interests.

In the face of the 1997 federal electoral process that, according to the law, will formally begin on 1 November, we state our commitment to conclude negotiations in the next few days, so that constitutional and legal reforms can be approved by that date. For that reason, we are convinced that the time we are still using to materialize the reforms is justified to achieve the highest level of consensus among the country's political forces. The electoral reforms we are all determined to create will be implemented in time, but we will not spare any efforts to make sure those reforms reflect the highest level of consensus possible.

[Signed] National presidents of political parties:

Felipe Calderon, National Action Party

Santiago Onate, Institutional Revolutionary Party

Porfirio Munoz Ledo, Party of the Democratic Revolution

Alberto Anaya of the Labor Party

Emilio Chuayfett, Government Secretary

Mexico: PRD Leader Lopez Obrador Interviewed

PA1807023396 Mexico City XEW Television Network in Spanish 0330 GMT 16 Jul 96

[Interview with Mexico's Party of Democratic Revolution, PRD, virtual President Andres Manuel Lopez Obrador by Jacobo Zabudovsky in the studio; from the "24 Hours" newscast — live]

[FBIS Translated Text] [Zabudovsky] The Party of the Democratic Revolution yesterday held internal elections to choose its new president. The candidates were Amalia Garcia, Heberto Castillo, and Andres Manuel Lopez Obrador. Preliminary official information at hand show partial results that are amazing. The great surprise is that Andres Manuel Lopez Obrador not only won, which was expected, but that he has six times the number of votes of his closest competitor. This shows an absolute opinion trend by PRD members and an overall support to him, regardless of the great abstention. Is that so, Mr. Lopez Obrador? Good evening.

[Lopez Obrador] Good evening.

[Zabudovsky] Thanks for being here.

[Lopez Obrador] Yesterday, important events took place. It is the first time in our country's history that a political party elects its national leader through a direct, universal, and secret vote by all of its members. It was, therefore, an historic event. We reckon that about 35 percent of those enrolled voted. We believe that the voting could have been more, but a week earlier it was decided to install voting centers only in the municipal seats. There were hardly any installed in villages or neighborhoods. In the case of the Federal District, the only voting centers were in the district's 16 delegations.

[Zabudovsky] Is this the reason for the abstention?

[Lopez Obrador] Yes. Had there been voting centers in all villages and neighborhoods, results would have been different, meaning more people would have voted.

[Zabudovsky] Mr. Lopez Obrador, the PRD has been giving the impression lately of being a party with lots of internal squabbling. Is this so?

[Lopez Obrador] It is so. There are problems within the party, but all of us have the resolve to unify the PRD. Of course, I want to clarify that the differences are not among the rank and file, the militants. Fortunately, we have an exemplary militancy; they are the best thing the PRD has. They are women, men, and children who are struggling with spirit in different regions of the country for their beliefs and principles. They are women and men who struggle in exchange for nothing, but do so for justice and democracy. Undoubtedly, the best thing the

PRD has its rank and file. There are differences at the top, at leadership level, at municipal and at national state level. There is where we want to seek reconciliation and unity and this is one of the tasks that I will put into practice. I get along well with all the leaders; I have no groups and do not want to have them. I will represent every PRD member equally.

[Zabludovsky] Mr. Lopez Obrador, what is the PRD you want? How do you place it within the national political scheme?

[Lopez Obrador] I want an organized PRD, very well organized, with rank and file committees in all the villages, in all neighborhoods. I want a unified PRD, a PRD with a clear proposal, a proposal that will allow all citizens to learn what are the PRD's thoughts on important topics such as the economy, social issues, politics, and culture. I want a PRD that nominates good candidates; women and men with integrity, good public reputation, candidates who have plenty of followers. This is what I propose. Of course, we need to strengthen the PRD, not only to win elections, but to defend popular causes.

[Zabludovsky] Mr. Lopez Obrador, some accuse you, perhaps your political enemies, of being very aggressive. They fear that this aggressiveness may reflect in the PRD leadership when you become president.

[Lopez Obrador] This is not so. It is an image that has been projected about me. Of course, there are people who are interested in projecting this image; sectors inside the government. I have a firm position, but it is not intransigent. I am not how I am made to appear; I want democracy for Mexico. I am convinced that our country will not be able to come out ahead, will not be able to progress, it will not be able to face its big national problems, until we establish a true democratic system. Competition is needed; we need to end single party power monopoly. I uphold this conviction with firmness; I will have no part in pretending democracy. This is something that some sectors of the government perceive as being hard, intransigent, but we will continue maintaining the principles. We are going to hold talks with the government; we want to hold a dialogue with the government, but we will not be spending all our time looking up government offices.

We need to organize citizens. We need dialogue, but with organized citizens. Mexico's history teaches us that he who holds a dialogue without strength or who negotiates without strength, gets nothing. We are going to find a balance between dialogue and the organization of citizens, in order to force the government to take the democratic initiative and change its economic policy. We consider that the same economic policy should not

continue to be applied; it has not yielded good results. There are more than 40 million Mexicans in poverty; the productive plant is devastated; changes need to be made to the economic policy. Productive activities need to be bolstered and we must generate jobs. We are going to insist on this. It is of no use to put our thoughts across to the government; they will invite us to have coffee, they will treat us well, but nothing will be resolved. We need to organize citizens, and this is what I will dedicate myself to through my party.

[Zabludovsky] Mr. Lopez Obrador, a double question: Why do you think more PRD members voted for you than for Amalia Garcia or Heberto Castillo? The second question is, will you call them to cooperate with the PRD leadership?

[Lopez Obrador] I believe that the majority of PRD militants felt identified with my proposal. My campaign slogan was Party in Movement. I want the party to act not only during election time, but that it also attends to peasants, workers, teachers, producers, businessmen between the elections. The PRD should not be a party just at election time; a vote-catching party, or a party that only approaches the people when it needs votes. The PRD must win the support of the people through work and defend popular causes all the time. I believe that this is what the militants found attractive. I will call on Engineer Heberto and Amalia to participate; they are extraordinary leaders. We cannot behave such as in other parties, where the loser gets ostracized, goes to the bench, as it is said. We need to join efforts. They are very valuable people: Engineer Heberto Castillo and Amalia. I have been talking with them. Not only are we going to get these two candidates to participate, but those close to them as well. We are going to form an executive committee of unity. We do not have any legal obligations. The council makes the choice, and with the current trend most of the councilmen are from my group. But this is not a legal matter, it is political, and we must see it this way.

[Zabludovsky] Mr. Lopez Obrador, in a few days, electoral reforms will begin to be discussed. Will the PRD maintain the same attitude despite the change in your party's presidency?

[Lopez Obrador] Yes; we are going to respect the agreements. We are going to continue the talks, we are going to continue to insist that what has been gained should be broadened. Undoubtedly, headway has been made. It is an advance and it is a PRD proposal that was taken up, accepted, that Federal District citizens be able to freely elect their governor. This is headway. Headway is that Mexicans who live abroad be able to vote. Other things have been accomplished in what has

been achieved up to now in the agreements. There are things that are still pending. Still to be resolved are such things as the handling of the list of voters, the independence to handle the list of voters; also pending is the media matter, equality in the media to do with times, slots. There is something that is definitely pending and is decisive in the case of elections: budget control. We do not want the budget used to support the PRI [Institutional Revolutionary Party] or its candidates or any other party or any other candidate. The public budget must be used for works and services that are pending and not used to buy consciences or loyalties. We do not want programs such as Pronasol [National Solidarity Program] or Procampo [Program of Direct Support to the Countryside] — these are vote-catching programs. We do not want cards for the poor; we want the government to resolve the problems such as job shortages. We do not want these types of programs,

which are intended to win votes for the elections. This is important. We have the experience in Tabasco State, which is still pending. We have been able to ascertain that Mr. Madrazo spent \$72 million in his campaign. Mr. Clinton's U.S. presidential campaign cost \$50 million. Mr. Madrazo spent \$72 million. The United States has approximately 250 million inhabitants; Tabasco has 1.7 million. We cannot forget Tabasco or leave out budget control and sanctions from the electoral reforms for those who surpass campaign spending limits.

[Zabludovsky] Many thanks. Do you want to add anything?

[Lopez Obrador] No; but I am very pleased for the opportunity to communicate with citizens. I welcome this Televisa decision and yours in particular.

[Zabludovsky] Many thanks, sir.

Guatemala**Guatemala: Government Satisfied With U.S. Law Deferment***PA1807042696 Panama City ACAN in Spanish
2040 GMT 17 Jul 96*

[FBIS Translated Text] Guatemala City, 17 Jul (ACAN-EFE) — Foreign Relations Minister Eduardo Stein today expressed the satisfaction of the Guatemalan Government over the U.S. decision to postpone, for six months, the implementation of the chapter of the Helms-Burton law that punishes the companies that invest in Cuba.

"I believe that the decision to postpone the implementation, although it does not solve the problem, could be viewed as a rectification of U.S. foreign policy not only from the commercial viewpoint," the head of Guatemalan diplomacy said, in statements to the press in his office.

Clinton yesterday announced that the Title 3 of the Helms-Burton law was postponed. This provision enabled U.S. citizens to file suits against foreign companies that occupy lands and properties that were expropriated following the 1959 revolution.

Stein recalled the words of Guatemalan President Alvaro Arzu, who said that the toughening of sanctions have been ineffective in resolving the international differences between the two countries.

In this case in particular, the foreign minister noted, third countries were adversely "affected and international commercial agreements were violated."

Honduras**Honduras: Official on Case of Consul in Hong Kong**
*PA1707173496 Tegucigalpa Voz de Honduras
Network in Spanish 1145 GMT 17 Jul 96*

[Telephone interview with Roberto Arita Quinones, Honduras acting foreign affairs minister, by unidentified reporter in Tegucigalpa; from "The Morning Paper" newscast — live]

[FBIS Translated Text] Just in: Last night, Honduran authorities reportedly decided to separate the Honduran consul in Hong Kong from his post. (Herby Deanis Weizembiutt Oliva) has been dismissed. Foreign Affairs Minister Delmer Urbizo Panting, who is in Taipei, talked to acting Foreign Minister Roberto Arita Quinones, and presidential designate Walter Lopez Reyes, who is the acting Honduran president, had reportedly taken all steps necessary to dismiss the Honduran consul in Hong Kong.

We now are in contact with acting Foreign Minister Arita. Good morning, Foreign Minister. What can you tell us? I understand you have talked to Foreign Minister Urbizo, who is in Taipei.

[Arita] That is right. As we reported yesterday, we had received no official information on this Hong Kong case. However, last night we had the opportunity to talk to Urbizo, who told us that indeed this news had been confirmed in Taipei and that it was necessary to proceed to immediately dismiss the consul in Hong Kong. I then talked to acting President Lopez to make an immediate decision on this affair. He did, and the Honduran consul to Hong Kong was dismissed last night.

[Reporter] Arita, how did the foreign minister and the president receive this news, which has left us in a bad position, internationally speaking?

[Arita] Well, the foreign minister voiced a great deal of concern about this very unpleasant news for our country.

[Reporter] This morning, the population and immigration policy general director was talking about the ease with which our passports can be forged [nine-second break in reception] in Washington today reports on this new [three-second break in reception] as deputy foreign minister and current acting foreign minister [three-second break in reception] how much does this affair adversely affect us? You, who have a long diplomatic career, could you tell us how much this news adversely affects us because of the fear other nations may feel to hold negotiations with Honduras or when a Honduran citizen presents his diplomatic credentials in various countries?

[Arita] As you are aware, the current government has voiced a great deal of concern about this type of incident; it even worked hard to have a new passport. Unfortunately, the network of traffickers involved in this crime is too large; we have proven this, and this is what the National Investigations director himself has said. We have to work harder in this regard, so that these repudiable actions against our country will not be carried out again.

[Reporter] Arita, are other people who represent Honduras abroad and who hold diplomatic posts going to be investigated?

[Arita] No, I cannot say more on this. However, this thing that has happened in Hong Kong definitely tells us that we must be very careful when we select our diplomatic and consular representatives.

[Reporter] Is it true that this (Weizembiutt) character has already been admonished?

[Arita] Yes, it is true, because once at a news conference in which I accompanied Foreign Minister Urbizo, he was asked a question regarding the fact that this consul in Hong Kong, that there were reports that this consul in Hong Kong added more pages to passports. When we heard this, we immediately sent him a note strongly reprimanding him for this situation and asking him to tell us if what we were asked at this news conference was true or not. The consul told us that it was true, that he had added pages to the passports, but that he ignored that this was incorrect, because he knew that other countries were doing the same. Thus, we complied with what the Foreign Service Law stipulates regarding the scale of sanctions. First, the scale of sanctions include verbal or written admonitions. We admonished him in writing, and we strongly reprimanded him.

[Reporter] Have you had any contact with the U.S. Embassy?

[Arita] No, no, no. We have had no contacts on this incident so far.

[Reporter] Finally, we would like to know what the foreign minister said when you talked to him in Taipei.

[Arita] Well, he told me what I told you at the beginning, that they already had information that the news was true and that it was necessary to proceed to immediately dismiss the consul.

[Reporter] Do you want to add anything else for the people who are listening to you through Voz de Honduras Network regarding this new scandal that leaves us in a very bad position.

[Arita] Well, we must be patient. Unfortunately, these incidents cannot be predicted. Sometimes, high-ranking Foreign Ministry officials believe that they are appointing people who can help us regarding these foreign service affairs, but unfortunately — I do not really know why — our diplomatic and consular representatives do not think prior to getting into trouble and leaving our country in a bad position.

[Reporter] I was forgetting to ask something. Do you know if he is going to be deported?

[Arita] No, we have no information on that possibility.

Nicaragua

Nicaragua: Roundup of Economic Developments
Through 17 Jul

PA1707203096

[FBIS Report] The following is a compilation of reports on economic developments in Nicaragua monitored through 17 July.

According to a Managua-dated press dispatch, the Nicaraguan Central Bank reports that the Net International Reserves stood at \$156.9 million as of May this year and that this is an improvement of 362.8 percent over the same month in 1995. This balance is the result of the \$243.8 million Gross International Reserves less \$86.9 million short-term obligations in May. (Mexico City NOTIMEX in Spanish 2342 GMT 10 Jul 96)

A Managua-dated item reports that the Nicaraguan and German Governments have signed agreements whereby Germany will contribute \$45 million to Nicaragua's development in the next 12 months. Nicaraguan External Cooperation Minister Erwin Kruger reports that \$34 of the \$45 million will be used to finance new development projects, like the cleansing and potabilization of Managua Lake waters, and that the remaining \$11 million will be reassigned because they were not used last year. (Mexico City NOTIMEX in Spanish 1847 GMT 10 Jul 96)

The Inter-American Development Bank has donated \$2 million to Nicaragua. The money will be used to create the regulatory framework to encourage investments in the country's public services. (Managua Sistema Nacional de Television in Spanish 0130 GMT 10 Jul 96)

It has been reported that five of the international enterprises that prequalified to bid to purchase 40 percent of Nicaraguan Telecommunications Enterprise's shares have pulled out from the bidding, which will take place on 27 July. (Managua LA PRENSA in Spanish 13 Jul 96 p 12)

According to a Managua-dated item, the European Union has donated \$7.8 million to Nicaragua. Of this amount, \$4.8 million will be used to reinforce the displaced people's self-support program, which includes housing construction, health, education, water, and sanitation, and \$3 million will be used in the electoral process that will end with the October elections. (Panama City ACAN in Spanish 2041 GMT 15 Jul 96)

Sweden and Nicaragua recently signed a cooperation agreement whereby Sweden will donate \$571,000 to assist in consolidating the state of law and democratic institutions by promoting and improving the judicial system, particularly through the development of the physical infrastructure. Another agreement was signed whereby Norway will donate \$389,000 for a plan called "Drafting and Implementation of a Territorial Plan for Matagalpa and Jinotega Departments." The donation will finance a proposal for territorial reorganization, taking into account the state's decentralization and participation of the leading municipal organizations in

this reorganization. (Managua LA PRENSA in Spanish 15 Jul 96 p 13)

Panama

Panama: Columnist Views U.S. Slander Campaign Usage

PA1707220696 Panama City LA ESTRELLA DE PANAMA in Spanish 17 Jul 96 p 5A

[Article by Alberto B. Conte: "Discredit: New Lethal Weapon"]

[FBIS Translated Text] One of the consequences of humankind advances has been the use of inventions that result from such advances to impose conditions on the weaker by the stronger. There are those who believe that progress is only achieved by the use of such novel aggressiveness, usually to the detriment of other people's rights and liberties, leaving behind the significance of the events at the time the invention was made. A stone hurled by the sling thanks to centrifugal force; the spear, arrow, and dart as forerunners of the metal projectile based on linear force, weight, and gravity; the automatic rifle that "conquered the West;" the airplane and the atomic or neutron bombs; and now, the terrible power and devastation produced by the calculated use of modern media. These are clear examples of the evolution of "civilization" during each period.

Added to the collapse of the Berlin Wall, which left a single world power that cannot be blackmailed by going to its adversary if the world power does not grant what is being demanded, one has to add the worldwide economic problem caused by the grouping of states into three poles of importance, creating globalized economies. When armed invasions are no longer desirable due to the cost of the weapons, lives, and criticism, the results of the ill-famed Watergate are reviewed. Experiments are then begun with a practically warlike use of ever-increasingly powerful media. This media squashes, destroys, and pulverizes the credibility of people, villages, and even countries, covering them with a new and more poisonous radiation: Discredit.

In the use of this new and much more lethal weapon, the United States, which has perfected this weapon, has turned out fantastic specialists. It has been used to defend its national interests, converting it into the new "big stick" to use in regional relations. Reports of political and trade immorality were not limited to Collor de Mello, Menem and Fujimori's marriage battles surfaced, Pinochet's poisoned grapes, Carlos Andres Perez' ship, the lack of tourist security in Costa Rica, the murder of nuns in El Salvador, gun-running, drug trafficking, and Noriega's influences, Serrano Elias'

abuses, Salinas de Gortari's embezzlements and crimes, or Samper's and the PRD [Democratic Revolutionary Party] recent electoral narco-scandals in Colombia and Panama, coinciding with Washington's demands to these nations to carry out in-depth political changes in the face of the new globalization era dictated by them.

International publications surfaced at a timely moment, amid economic U.S. confrontations with Asian giants, with frequent reports of blackmail to Japanese and Korean officials, Chinese piracy, Oriental assembly plant work and slave labor, among others. Perhaps there have been less cases known in Europe, but perfectly detectable with only glancing through reports from countries and people from that continent and economic struggles with the United States.

The logistic is ingenious. Information of each country; its geographic, social, political, and economic condition; the morality of its public figures or more outstanding personalities, was collected and is collected through numerous U.S. embassy officials, and agencies of co-operation and investigation accredited in all countries of the world, in addition to U.S. Armed Forces posted in the most strategic places. Something like the famous and never disclosed 15,000 boxes from Noriega's G-2, allegedly containing compromising evidence on members of the opposition and the government.

No information, regardless of how truthful or scandalous it may be, is used unless it is needed. It is a sort of arsenal kept safely hidden at the U.S. Department of State's gunpowder arsenal, in each country's respective station ("decks") [previous word in English]. Insofar as there is need to endeavor to obtain specific advantages that will ensure U.S. national interests, the evidence undermining those who represent an obstacle to their objectives will be used, transformed into sensationalist events, of the type the media craves to obtain in order to increase circulation or attract viewers, and strive for an international journalism award (we just have to recall THE WASHINGTON POST's reporters). In addition, an "exclusive" is offered to an affiliate which in turn decide if it accepts to run the story or not. Later on, a news media with much more extensive coverage will follow-up on the allegations and the snowball begins to roll.

The concept of "planting" news bombs is not accurate if one considers that the news media is forced into accepting the information either as a payment or by means of pressure. This is a decision of convenience, but the effect or result sought is always the same: to discredit, disqualify individuals, ensure loss of credibility and popular support, or national and international disgrace for the adversary.

Any likelihood of taking legal actions against the news media involved, by either invoking slander or insults, are practically nil since the evidence sustaining the allegations are real, forceful, and more extensive than one may believe. As far as I am aware, there has only been one occasion where such a lawsuit was successful. It was the lawsuit filed by General Westmoreland against TIME magazine that had accused the military officer of withholding information related to specific aspects of the Vietnam War. Westmoreland won the lawsuit and received a hefty compensation. Nevertheless, it was a Pyrrhic victory since he was totally discredited in light of copious other evidence which, although totally unrelated to the case, were critical for the case, and turned out to be devastating to the general's prestige.

In the confrontation of Panamanian-U.S. interests, we should always keep in mind that their objective is the same as ours: to obtain the maximum advantage possible. Negotiating strategy mandates that talks should only take place when one's position to negotiate is strong. The battle started long time ago. Why should we be surprised now that this type of war should be waged against us when if they are victorious they have much to win and, if not, they do not stand to lose much? The moment has arrived for the Department of State to activate its gunpowder arsenal.

Panama has been unable to eliminate that abundant species of individuals and entities with "glass houses" from its political fauna. Like in the rest of our Latin American democracies that are undergoing severe corruption problems, and lack of credibility in those state institutions, we also have those individuals involved in explaining and negotiating issues related to the canal treaties and U.S. requirements. It is at this time when by making use of available research, tape recordings, documents, and information on events and individuals, the result of patient gathering and compilation, the United States then begins to prompt a succession of confrontations at the official level, government to government, and later at the personal level, intended to weaken the position of national dignity with which Panama must brave U.S. attitudes. It is a sort of good cop bad cop role playing; the left hand is unaware of what the right hand is doing; what one agency stresses, another rejects; the President congratulates and the undersecretary accuses; the ambassador fails to agree with the general, he in turn disagrees with the Pentagon. In the meantime, Panamanian interests being to rotate amid rumors, suspicions, and disunity. It reaches a point when our interests are so weakened that any imposition would be accepted so long as it prevents any further discredit or losses. In this

manner we enter the 21st century just as we entered the 20th, tied and dependent on the northern colossus.

Of course there is still hope, despite not having similar weapons at our disposal. We must reach to a definite and solid position, one acceptable to Panama's political and civilian society. Our administration must be cleansed from negative individuals, and assert the undoubtable validity of our arguments that was deserving of the support of the international community during the past signing of the canal treaties. If we want... we can.

Panama: Columnist Views Pre-Exploratory Talks
PA1707190296 Panama City LA PRENSA in Spanish
17 Jul 96 p 23A

[Article by Betty Brannan Jaen: "The Pre-Exploratory Talks"]

[FBIS Translated Text] Panama, R.P. — While it may be true, as Foreign Minister Ricardo Alberto Arias continues to insist, that the alleged "exploratory talks" on extending the presence of the U.S. military bases in Panama have not yet started, it is no less true that what has been taking place have been "pre-exploratory talks," which seem to have moved ahead considerably.

The foreign minister himself confirmed these pre-exploratory talks during a recent interview. He described it as "informal talks," as well as "a preliminary phase leading to the exploratory talks," which would, in turn, be a preliminary phase leading to a negotiation.

During these informal talks, the foreign minister pointed out, both sides have so far reiterated their basic positions. "The United States has clearly indicated that it does not intend to pay for the bases, while Panama has stated that it expects to receive significant financial benefits. We have spoken about when the exploratory talks will most likely begin. They have indicated the areas in which they might be interested. On several occasions they have mentioned Howard, Sherman, Galeta, and on a other occasions they have even mentioned access to Rodman. With respect to Howard, we have even spoken about the possibility of some sort of joint use. This is the type of informal communication that has taken place. This, to me, is a preliminary phase leading to the exploratory talks, which at the same time is a preliminary phase to a negotiation," the foreign minister stated. (see LA PRENSA, 3 July 1996)

Nevertheless, other sources have indicated that the pre-exploratory talks have already moved ahead to discuss more concrete issues. I have received information, for example, that the number and mission to be carried out by the U.S. troops that would remain in the

isthmus is one of the issues that is under discussion. The Howard Air Force Base, assigned an antidrug responsibility, would only require approximately 1,000, or maximum, 2,000 soldiers. However, according to my source, the Army would also like to have 1,000 or 2,000 soldiers remaining. This is the reason why last month in Washington, a general by the name of Sheehan mentioned that the number of soldiers that were being mentioned as a exploratory premise was nearly 4,000.

However, according to my sources, there are two problems involved with the 4,000 figure: One problem is related to where these troops would be stationed. The Army would seem to be contemplating Fort Clayton, but Panama is not pleased with such an idea since it has other plans for that area, the sources pointed out.

The other problem deals with the Army's inability to come up with a convincing explanation with respect to what sort to mission these troops would carry out in Panama. According to several analysts, Howard's antidrug mission would be an air operation that would include intelligence gathering aspects, but not a mission involving infantry personnel, which it is difficult for the Armed Forces ("Army") (previous word in English) to relate to the antidrug struggle and thus justify the presence of 2,000 soldiers in Panama. The justification, which was at one time alluded to — that the presence of troops was necessary to defend the canal — is one that everyone now acknowledges as obsolete. The only justification that would seem to exist: to be able to have troops available to rapidly launch an invasion or military operation in the region, is offensive to Latin America's sensibility, and therefore, cannot even be mentioned aloud.

Obstacles such as these have prompted differences of opinion within the U.S. Armed Forces, between the Army and the other U.S. military branches, and between the State Department and the Pentagon. The consequence of these differences of opinion is that the Clinton administration has been unable to come up with a unified position with respect to the military bases, even though General Barry McCaffrey, U.S. Ambassador William Hughes, and Senator Jesse Helms would seem to be the most ardent proponents of a continued military presence in Panama.

As the foreign minister said during the interview, the preliminary talks have also considered the possibility of sharing the use of certain facilities like Howard. Other sources, however, report that the talks included considering whether or not it would be enough for the United States to simply have access to the Tocumen Airport whenever necessary instead of incurring the additional cost of maintaining installations in Panama.

Some sources report that the preliminary talks have touched on details like post exchanges (PX's). According to my reports, Panama wants no PX's, but the Americans insist that their troops have the full right to have PX's wherever they are stationed.

Supposedly, the Americans tried all of these arguments in a mock negotiation held two months ago at the National War College in Fort McNair, on the outskirts of Washington, D.C. In this mock negotiation, the United States was represented by Ambassador Hughes, Air Force General Antonio Ramos of the Southern Command (where his position is that of "Special Assistant to the Commander for Regional Negotiations") and Army Under Secretary Joe R. Reeder (who is also Chairman of the Panama Canal Commission's Board of Directors). I understand that these mock negotiations are an obligatory routine for U.S. diplomats preparing for international negotiations.

It is most interesting to see who was chosen to represent Panama in the exercise. Ambler Moss, U.S. ambassador to Panama in Torrijos' time and a known apparatchik of the dictatorship, as the most renowned LA PRENSA columnist has described him, was right there.

Also representing Panama was Richard Wyrrough, a former U.S. officer who headed the "Panama Desk" at the State Department during the Noriega years. In September 1986, when the Johns Hopkins University's Advanced International Studies School held a symposium on Panama in Washington, Wyrrough calmly defended the U.S. support and concealment policy in favor of Noriega despite all the criticism presented in the symposium by participants like I. Roberto Eisenmann and Ricardo Arias Calderon.

In the worrisome company of Moss and Wyrrough representing Panama in the mock exercise was also Professor Margaret Scranton of the University of Arkansas, politologist and writer of a book on U.S. policy on Noriega and several essays on Panamanian policy. Professor Scranton has the merit of being a relatively new face — and an even more critical voice — in the group of U.S. "experts" on Panama who endorsed the disastrous U.S. policy on our country in the past 25 years. Nevertheless, the very idea that the Panamanian representation, even in a mock exercise, was in the hands of Moss and Wyrrough even for an instant, is offensive.

I am dying to know whether Panama also held its "mock negotiation" and, if it did, whom they used to represent the United States, Mickey Mouse and Donald Duck?

**Panama: Former President on U.S. 'Campaign'
Against Nation**

PA1707144896 Panama City LA PRENSA in Spanish
16 Jul 96 p 4A

[By Manuel Alvarez Cedeno]

[FBIS Translated Text] Former President Guillermo Endara has charged U.S. groups with fanning the flames of the "narcochecks" scandal as part of "a campaign to soften" the Panamanian Government and make it extend the stay of U.S. troops in Panama after the year 2000.

Endara, a member of the opposition Arnulfist Party (PA) told the local and foreign media that the articles published by the U.S. newspapers THE MIAMI HERALD and THE NEW YORK TIMES on the "narcocheck" scandal are part of "a campaign to soften Panama by the U.S. sectors," which he did not identify.

In June, the U.S. newspapers announced that the drug barons had infiltrated the Panamanian Government. Subsequently, President Ernesto Perez Balladares admitted that his campaign had been tainted by two checks for \$51,000, written by a company linked to alleged Colombian drug trafficker Jose Castrillon Henao.

The former president said that he had spoken "to members of the Panamanian Government" about this alleged U.S. campaign, but he did not identify either the collaborators of the government of Perez Balladares with whom he discussed this issue.

According to the Torrijos-Carter treaties, signed in 1977, the U.S. soldiers must leave Panamanian territory by 31 December 1999, the date in which the Panama Canal will revert to Panama's total control.

Endara said that those who are stirring up the "narcochecks scandal" hold ranking positions in the U.S. Government and insist on the idea that their country maintain troops stationed in the banks of the Panama Canal after the year 2000.

Last year, the United States and Panama planned to begin a series of talks to review the stay of a U.S. military force in Panamanian territory after the year 2000.

However, this plan did not prosper after spokesmen of the Clinton Administration noted that their country was not willing to pay any financial indemnity to maintain troops in Panama after 31 December 1999.

Endara also remarked that "he has the very serious suspicion, and not a groundless one, that it was the Panamanians (the Perez Balladares government) who approached the United States to ask it to prolong its

military presence in Panama and not the opposite, as affirmed by" sources of the Panamanian administration.

**Panama: Canal Declaration Opposes U.S. Military
Presence**

PA1707154796 Panama City LA PRENSA in Spanish
16 Jul 96 p 5A

[Report by Manuel Alvarez Cedeno]

[FBIS Translated Text] According to what was reported yesterday, the Panama Canal Declaration (DCP), which rejects a U.S. military presence in Panamanian territory beyond the year 2000, will be forwarded to the countryside to be signed by those who wish to do so.

The DCP, which was drafted by a group of people and organizations called nationalists, lists 11 points, one of which states that the waterway's toll policies must be determined by virtue of Panama's sovereignty and according to international law.

At a news conference, Vicente Archibold, from the Peace and Justice Service (Serpa), said that the DCP will travel the entire national territory to be signed by those who wish to do so.

Yesterday, former President Guillermo Endara also signed the document, as well as renowned nationalist advocate Nemesio Lopez Zapata, 96, and Jorge Flores, leader of the Popular Nationalist Party (PNP).

For Endara, "in this period (close to the year 2000), we Panamanians have to overcome obstacles, because our nationalist project is in jeopardy" because of the sudden attacks by those who want the country to become a Freely Associated State (of the U.S. administration), as is the case with Puerto Rico.

The DCP's first point states that the waterway, including land, waters, and installations, constitutes an inalienable patrimony for the Panamanian people and that this is why "it cannot and must not be privatized, nor can it be subjected to any sort of foreign control by another state, group of states, corporations, organizations, or international institutions."

The Panama Canal is a U.S. federal agency that Panama and the United States manage together and will completely revert to Panamanian hands on 31 December 1999, according to the Panama Canal treaties signed in 1977.

Lopez affirmed that all Panamanians must get together to confront the imperialistic executioner (the United States) who wants to oppress us and exert pressure on us to let the bases stay."

Meanwhile, Flores pointed out that the DCP "is a declaration of principles, because it suggests to us that we, as a nation, must face the policies of the U.S. Republican Party, which is exerting pressure on Panama to give in regarding the military bases issue."

Panama: Perez Balladares on Modernization Plans
PA1807044996 Panama City Television Network
in Spanish 2331 GMT 16 Jul 96

[Speech by President Ernesto Perez Balladares at the Chamber of Commerce in Panama City — live]

[FBIS Translated Text] Honorable Juan Jose Vallarino, president of the Chamber of Commerce, Industries, and Agriculture of Panama; distinguished members of the Board of Directors, former presidents and advisers of the Chamber of Commerce, businessmen, journalists, all Panamanian citizens, dear friends:

First of all, I want to thank you for this invitation, because it is a unique opportunity to share a few moments with the most important representatives of the strong private sector of our country. I will explain what we are doing from the government to modernize and prepare Panama to enter the 21st Century as a more prosperous, equitable, and peaceful society. Of course, after that I would like to hear your comments, concerns, and worries, which I will try to answer adequately to the best of my abilities.

Let me tell you that I feel I am among friends. As you know, I have been a representative of the private sector for a long time throughout my life. I even had the opportunity to study with some of you. I have worked with many of you. I know of the problems that worry the private sector, and I am aware that the current historical circumstances create uncertainty, not only in this, but in all sectors. That is why I appreciate this opportunity so much. Believe me, I am very thankful.

A couple of days ago, and more so after the speculations that have been published in the media, I received a call from one of my friends who, because of the long friendship we have shared, feels free to every now and then express his criticisms to my presidential work or his comments on the difficulties that the various sectors of society are facing. My friend told me that unless I had an announcement to make at this meeting, it would be better if I stayed at the Palace of the Herons. The truth is that when I arrived I told Juan Jose [Vallarino] that I see here many faces that any government would be proud to have as ministers or directors of autonomous institutions. However, I sincerely believe that the moment we are living does not require spectacular announcements or headlines in the media. The enormous respect I have for each one

of you present here prevents me from seeking an easy applause among the representatives of the private sector by announcing simple cosmetic measures. I have a project for the nation. I have a clear picture of the country's objectives for the rest of the decade. If that project is not clear for my compatriots, undoubtedly it is my fault and my responsibility to clarify it, so that everyone will know what specific benefits we will receive in the medium and long term future, as a result of the sacrifices we must make in the short term.

The government is not different from a company or a business such as the ones you manage so well. Sometimes, a company does well, the various levels of the productive process and personnel are more capable, and from the shareholders to the last worker reap the benefits of what has been produced. However, there are other times when because of increased competition or changes in market conditions, managers must ask for credits; launch a process of industrial restructuring; redirect the company's efforts, if necessary; and forgo frail short-term profits in exchange for a sound future. We must always be on the lookout for new opportunities.

I would like to describe, step by step, what this national project is all about. To me, this project is a mandate from the moment I wake up in the morning until the moment I close my eyes at night. When I hear the term national project, I think of a project that transcends a party's platform and that goes beyond finding ways to improve the situation of a specific social class. This national project includes all of us and will benefit all of us. However, this project also demands a huge effort from all of us, and our understanding of the significance of each one of the topics we must tackle.

First, it is obvious that we must modernize the Panamanian economy. We have taken several steps toward globalizing, deregulating and modernizing the country's economic activity. You are all aware of the fact that the times when the state played a dominant role in all the aspects of the national situation have come to an end. The government's resources, which are limited, in addition to its glaring inefficiency to regulate the economic activity, have forced us to redirect the state's efforts and deregulate the economic relations in such a manner that the creation of wealth by the private sector has become one of the driving forces of Panama's economic growth. In pursuit of this purpose, we have taken major steps over the past two years. The labor reform, a case in point of what the state must do to improve the working conditions of the private enterprise, is already yielding positive results. I am certain that easing the rigid labor legislation that Panama used to have will contribute to create new sources of employment. Undoubtedly, this is an obvious achievement for the private sector.

Many of you have begun to feel the positive effects of this reform. Only a few days ago, Conep [National Council of Private Enterprise] leader Juan Planells revealed that between August 1995 and May 1996, more than 30,000 new job contracts were signed only in the metropolitan area. He also pointed out that 486 companies have already joined one single agency engaged in the management of unemployment funds with a coverage of approximately 23,000 workers. In addition, we have seen a decrease in the number of strikes and cases of labor disputes. I will not tire you by listing all our efforts in this attempt to modernize and deregulate the economy. It should be enough to say that I am convinced that we must seek a way to speed up growth and reduce the cost of living by deregulating the markets; redirecting the state's efforts; deregulating the different prices of the economies; implementing fiscal adjustments; establishing a foreign investment system; selling a portion of the state's assets; and refinancing the public debt.

As I said before, however, this is just one of Panama's prosperity and economic driving forces. It is necessary for the private sector to understand its relationship with what we could call Panama's second economic driving force, and why it is so important for them to support the government's efforts in this regard. Even though our country's modernization is indispensable, a higher economic growth does not necessarily guarantee prosperity, and economic redistribution does not necessarily lead to a greater national economic growth.

Just like in that company, which I gave as an example, there are times in which conditions change. Technology changes and it is necessary to readjust corporate efforts. Many of you have had to experience this process either because the competition invented new ways of doing things or because technology, as it occurs in the banking sector very often, brings about greater demands for employees. What have you done? You have retrained your personnel in most cases.

I am convinced of our country's possibilities. I believe Panama can become a fast-growing economy just like the tigers of southeast Asia. I do not see why not. We have everything. Modern ports in both oceans, the most important interoceanic canal in the world, a strategic alliance with the most important world power, an excellent banking tradition, and a huge experience in international trade, a democracy that is showing signs of renewed strength, and especially the human resource capable of turning Panama into the Taiwan, the Singapore, or the Korea of our region.

It is important to learn from those nations that left war, poverty, and injustice behind to become economic

powers. The greatest investment these nations made was in human capital, in the people. They educated their people. The efforts we are doing to educate the people of Panama are not like they were in the past, barely the work of state populists. The modernization of our education, the expansion of educational coverage, the improvement of the installations, and especially the quality of our education are part of the most ambitious educational project that has ever been implemented.

We will invest nearly \$100 million in the education sector between 1997 and 1999 with our own resources and with the assistance of the World Bank and the Inter-American Development Bank.

I am giving you this example because I am convinced that if the public and private sectors fight together to improve the social conditions of our people, and especially, to improve the education of the Panamanian people, we will be investing in the right things. We will be earning the applause we really want, the long-term, lasting applause.

It is clear that investment in human capital, especially in education, produces one of the most virtuous circles of the economy. It helps the business sector to develop more competitive industries that can generate greater profit margins and also to improve labor productivity leading to better salaries.

Whatever we spend today in the fields of health, construction of housing, and in the fight to give our fellow countrymen drinking water, sewage systems, power, and education will always be well invested. You can be sure of that.

A third driving force for growth is investment in infrastructure. I know it is my duty to draw the state out of those places in which it must not be, either because it is inefficient or because it is not necessary, and there are private sector resources ready to replace the public sector ones, as it happens with our port facilities, telecommunications, and in the generation and distribution of power.

But I also know that it is the duty of the government to lay the foundations so that the production apparatus, with the private sector at the helm, can provide new strength to our economy. Therefore, the issue of road infrastructure has been my government's foremost concern. It is hard to win applause with this issue.

The works of infrastructure take years to build. Occasionally, they are inaugurated by others, and they hardly ever help a president in the popularity polls. But believe me, the \$1 billion we will invest will definitely modernize our road network, allowing a greater commercial

integration with the interior. This will guarantee the access of farmers to markets and will literally strengthen our possibilities as a reexporting center to Latin America and the Caribbean.

This is the great significance of the rehabilitation of the Pan-American Highway in the sections from Chorrera to Capira, San Carlos to Rio Hato, and Rio Hato to Anton, with additional lanes to expedite traffic. This is the great importance of the road to El Valle, the road from Sabanitas to Portobelo, the widening of the David to Concepcion section, the San Miguelito overpass, the Southern Bypass, the widening of access roads to the Bridge of the Americas, the Northern Bypass, and other road projects. But the purpose of this meeting is not listing these road projects.

However, to reaffirm this long-term conception that I share with you today, I wish to reiterate the vital importance of three integrating works that are a special part in the task of modernizing the country: They are the Northern Bypass and the Panama City-Colon Highway, the rehabilitation of 85 km of the Pan-American Highway to Darien in the Canazas-Santa Fe-Canglon section, and the old dream of integrating the western part of the country, namely the Punta Pena-Almirante road, with a branch road to Punta Robalo. This will allow free access to the entire Province of Bocas del Toro.

A fourth driving force in the economy is encouraging private investments and private savings. It is not enough to have one's house in order, to have modernized the economy, to have eased labor legislation, or invested in social sectors and human capital. To achieve growth, we require a larger investment, both foreign and domestic, supported by a better capacity of domestic savings. Many of you are aware of our efforts on this front.

We have laid the foundations for promoting local investment and also attracting foreign investments to Panama. But this is not a short-term project either. Let us not allow our traditional impatience to hinder our objectives. And let us not forget that the images of our recent past are still fresh in the memories of foreign citizens. We must counter these images by showing them a strengthened democracy, an open and modern economy, and a decisive effort against crime and against corruption.

These are just some of the topics included in the presidential agenda. I am not bringing them up to brag about some accomplishments because, in the end, real accomplishments speak for themselves. I do this because the private sector is not only concerned about what we do regarding commercial and financial legislation and regulation. The private sector is not only concerned

about how we will correct the problems that emerged in the Free Zone as a result of the application of the new tax legislation. No. The private sector is also concerned with the investment in human capital that will help us become a power in the region if we work together, if we work hard enough, and, above all, if we have a long-term vision.

Let me refer now to the role that the country expects you to play on the turn of the 20th century: My government has made a great effort to incorporate into the public administration those individuals who traditionally stay away from politics, because I believe that the influence of individuals from the private sector, who are detached from political hardships, will make a great contribution, and will complement those who are experienced leaders in political organizations. Although all of you are busy people, you cannot leave aside your concern for this country and your calling for public service. None of these stops with criticism.

Only a country that stands united for a common cause can build a project for the future. I am convinced that Panama possesses everything that is necessary to become one of the region's most prosperous countries. For this purpose, we must overcome the prevailing pessimism of today in addition to learning from our past.

We prefer to blame one another for our faults instead of underscoring our civic values as a group. A conspicuous prisoner's ailments at the Modelo penitentiary seem more important than an entire society's efforts to fight drugs. And the collapse of one bank seems more important than the strength of the more than 100 banks that operate in this country. Apparently, we have determined at all cost to destroy the international image that requires a great effort to reconstruct. Finally, it seems that an overwhelming distortion of values would have led us into a dead-end street that we do not want to leave.

I sincerely believe that we should make an effort to behave just as we do regarding the canal issue. We have succeeded in maintaining a dialogue with every political group and every sector in this nation. There are few who make populism or seek an easy applause regarding the canal issue. Every Panamanian acts responsibly on the canal issue. Since we know that the canal issue concerns all of us, we leave behind our traditional struggles, our historical antagonism, our desire for immediate results, and our personal interests. Very well, I bring up this subject right here because I believe that during this time of change and transformation, so to speak, in the world's economy as well as of regional and international organizations, we should momentarily leave aside our

selfishness and our desire for immediate results, not only regarding the canal issue that brings us together, but also regarding everything that sets us apart. We should always do this with a spirit of making a concerted effort, to which I will continue to resort to at all cost.

Circumstantial problems as well as their solutions pass away, but Panama will never pass away. The strength that we will develop in the future will depend upon how we participate in building Panama's present. And if all of us transform Panama into a collective enterprise and into a dream to which all of us contribute a piece of reality, then we will be able to give our children a renewed fatherland that will be more equitable and more prosperous. Every effort on my part and that of each public service employee will be aimed to achieve this goal. May the strength of every Panamanian, obviously with the private sector's drive as a fundamental bastion for this enterprise, allow us to transform Panama into a regional power now that we are on the turn of the third millennium. Thank you very much. [applause]

Panama: Politicians React to President's Speech

PA1807050296 Panama City Circuito RPC Television in Spanish 2300 GMT 17 Jul 96

[Report by Abdiel Antonio Gutierrez; from the "RPC Television News" newscast — passages within quotation marks are recorded]

[FBIS Translated Text] [Announcer] Instead of clearing up the doubts of his opponents, Panamanian President Ernesto Perez Balladares' speech opened the way for their strong criticism. Members of both the Christian Democratic Party (PDC) and the Arnulfist Party (PA) criticized the fact that immediate solutions for the existing problems were not clearly stated.

[Gutierrez] According to PDC officials, the Panamanian president's speech before members of the Panamanian Chamber of Commerce, Industries, and Agriculture did not meet expectations.

[PDC Assistant Secretary General Jose Domingo Torres] "The president did not state how we will overcome the country's crisis in the short term. He could have told the Chamber of Commerce, which includes many businessmen from Colon Province, that starting right now a special session would be convoked to examine the crisis of the Colon Free Zone, and that of the growers from Chiriqui Province, and of the rest of this country who were affected with these measures."

[Gutierrez] PA member Bolivar Pariente stated a similar opinion.

[Pariente] "The Panamanian president gave a speech that was full of hopes and dreams, but he stated nothing specifically to resolve this country's serious economic crisis, which has already lasted the two years that coincide with his presidential term."

[Oyden Ortega of the Democratic Revolutionary Party (PRD) and chairman of the Foreign Relations Committee of the National Legislative Assembly] "The Panamanian president was stating not only a governmental program, but he was also stating the possibility that the country will promptly resolve some of its existing problems. However, as he said, this should become every Panamanian's task."

[Gutierrez] Regarding the use of the Howard Air Force Base as a center to fight drug trafficking, Jose Domingo Torres believes that this topic should also be submitted to the public opinion.

[Torres] "Because the executive branch is making a decision on its own on this national project involving the reverted areas. [sentence as heard] Where is the rest of the country to express an opinion in this topic? I believe that his statements are regrettable, and that we should act more seriously on this topic so that the executive branch does not completely lose its credibility."

[Pariente] "He has neither stated nor specified the conditions under which the United States will use the Howard Air Force Base to fight drug trafficking."

[Gutierrez] According to PRD member Oyden Ortega, the president's actions are appropriate. To offer the Howard Air Force Base does not constitute an arbitrary action.

[Ortega] "In addition, I believe that the president made a proposal at the Rio Group that could be implemented right now. In my opinion, this should of course be done in compliance with the treaties. Therefore, this prevents a bilateral negotiation with the United States because, I believe, our country is not ready to negotiate."

[Gutierrez] At the introduction of his speech, President Perez Balladares had warned that special announcements were unnecessary in order to address the country.

Argentina

Argentina: Cavallo Explains New Economic Measures

PY1807030696 Buenos Aires NOTICIAS
ARGENTINAS in Spanish 0030 GMT 18 Jul 96

[FBIS Translated Text] Buenos Aires, 17 Jul (NA) — Economy Minister Domingo Cavallo tonight stated that he could not "continue to handle the economy" if Congress passes a law repealing the recent economic measures implemented through emergency decrees.

Cavallo was thus referring to a rumor circulating in the Senate that he had threatened to resign if the lawmakers failed to approve the executive branch decrees.

Cavallo made it clear that he had not threatened to resign because he "never" issues threats, but that he had warned the senators that if Congress disallowed the executive branch and, if no alternative solutions are found, he would not continue to serve as minister because he could not "miraculously find" the funds to cover an additional 2 billion peso deficit.

Cavallo outlined his position after being reassured that the legislators will not put hurdles in the way of the administration's measures designed to reduce the fiscal deficit.

Cavallo said that as long as he has the strength to continue to fight for the sake of the people, and as long as he believes that he can be useful, he will not step down as economy minister.

Tonight, Cavallo had to hold a long, at times heated, news conference to explain why payment of family allowances has been discontinued on salaries higher than 1,000 pesos and why food coupons will now be considered part of salaries. These measures have provoked widespread protest in all social sectors.

In this respect, Cavallo endorsed Labor Minister Armando Caro Figueroa's contention that "communications errors" have been committed in announcing the measures at the Argentine National Bank.

Speaking as a professor, and trying to appear relaxed in his answers to reporters, Cavallo said that although he considers it a "mistake" to have created the nonremunerative food coupon system, he believes workers "should not lose this benefit."

In this respect, Cavallo stated that the decision to make food coupons part of the salary "will not affect the current salary levels," although he admitted that wage earners will suffer at least an 11 percent deduction on account of the retirement contributions that should now be made based on the amount of food coupons.

Cavallo also stated that employers will also have to pay contributions on the portion of salary paid in food coupons. This measure has been strongly rejected by business groups.

Asked if these measures will be definitive, Cavallo stated that "every measure is final until it is repealed," thus hinting at the possibility of revising the decree that has reduced family allowances and has changed the nature of food coupons.

Cavallo noted, however, that the above measure was the "only one possible" and stated that he is "open to proposals from both economists and legislators."

Cavallo also confirmed that the fiscal deficit would have reached 3.5 billion pesos in 1996 had the administration not implemented these measures; that is, 1 billion higher than the former estimate, although this is subject to a new agreement with the IMF.

Cavallo said the measures seek to reduce the deficit of 2.5 billion pesos anticipated initially with the IMF.

He said that they have still not decided if the goals set with the IMF for the second half of the year will be renegotiated, but added that he trusts a good agreement will be reached.

With respect to the cuts introduced into PAMI [Comprehensive Medical Assistance Plan] spending, the minister said the pensioners social fund trusteeship should eliminate the "squandering" in the institution in order to save the 40 million pesos in spending cuts per month that will come into effect next month.

"PAMI spent 40 million pesos more than it was anticipated in its budget every month, but this situation will be overcome as of 1 August because we cannot continue financing that deficit any longer," Cavallo insisted.

The economy minister stressed that the government will not resort to "the little printing machine" to overcome the fiscal deficit and recalled past times when money was issued without the support of National Treasury reserves.

Cavallo said the government will use a "club" to fight the problem of unregistered workers and admonished businessmen "for not registering all their workers despite the reductions in company contributions."

"We have reduced the level of company contributions, but still many companies have not reported all their personnel and continue paying outside of their books. What did we miss? Perhaps the club," Cavallo added.

Cavallo justified the decree of need and urgency that returned policy making to the Labor Ministry so that

it could fight the problem of unregistered workers. The minister made these remarks during the news conference at the Economy Ministry.

Cavallo then again defended his proposal to tax using a VAT the payment of cable television service, adding that the possibility of taxing gas oil consumption "will be analyzed only if Congress proposes it" because the Economy Ministry does not promote the idea.

Argentina: Cavallo Says Dialogue With CGT Uninterrupted

PY1807031696 Buenos Aires NOTICIAS
ARGENTINAS in Spanish 0031 GMT 18 Jul 96

[FBIS Translated Text] Buenos Aires, 17 Jul (NA) — Economy Minister Domingo Cavallo stated this evening that the General Confederation of Labor (CGT) has the "right to take strike action whenever it deems it necessary" adding that the Menem administration will maintain all channels of dialogue to prevent workers from striking.

The head of the Economy Ministry thus tried to still the public outcry about the measures which reduce family allowances and levy taxes on luncheon vouchers.

Commenting on the nationwide strike the CGT called for 8 August, the minister responsible for the economic portfolio said: "Dialogue with the CGT should not be broken up because it is precisely through dialogue that we will be able to overcome our differences."

During a news conference called at the Economy Ministry, Cavallo insisted that dialogue with the CGT has not been interrupted. The minister moreover hinted at the fact that the CGT may go back on its decision to strike on 8 August.

Nevertheless, Cavallo confirmed all the measures he announced on 12 July, which will result in a wage cut for 2.4 million workers, a measure which has been pointedly rejected by all trade unions.

Argentina: Immunity Decision Pending Camilion Resignation

PY1707165896 Buenos Aires NOTICIAS
ARGENTINAS in Spanish 1310 GMT 17 Jul 96

[FBIS Translated Excerpt] Buenos Aires, 17 Jul (NA) — Federal Judge Jorge Urso, who had asked Congress to strip Defense Minister Oscar Camilion's immunity, emphasized today that he will hold off on this decision until the government decides to accept or reject the resignation tendered by the defense minister. Camilion has been involved in the scandal prompted by the arms sales to Ecuador during the Condor Mountain war.

The judge said: "The court now will wait until his situation is resolved. If the minister's resignation is accepted, the proposal to strip his immunity does not make any sense, as he will then be eligible to testify in court."

After considering that the defense minister committed the crimes of "treason to our fatherland, poor performance of his duties as public servant, and concealment," Urso on 16 July asked Congress to strip Camilion of his immunity.

As a consequence, Camilion tendered his resignation to President Carlos Menem, who, after returning from his visit to the United States, will decide whether or not he will accept Camilion's departure from the cabinet. [passage omitted]

Argentina: Menem Letter Delivered To Israel's Netanyahu

PY1707170696 Buenos Aires CLARIN in Spanish
16 Jul 96 p 15

[Passages between slantlines published in boldface]

[FBIS Translated Text] During a meeting with the Argentine ambassador, Israeli Prime Minister Benjamin Netanyahu deplored that, two years after the attack on the AMIA [Argentine-Israeli Mutual Association], the bombing has not yet been clarified.

After hearing this commentary, Gerardo Schamis, the Argentine ambassador who was meeting Netanyahu, explained that "beginning with President Carlos Menem the entire government," along with the courts, "is making efforts" to discover the perpetrators of the bombing.

The conversation was held last week in Jerusalem, after Schamis delivered to the Israeli prime minister a letter from Menem, inviting him to visit Argentina and urging him to continue to enhance the bilateral relations.

Foreign Ministry sources told CLARIN that in his letter, Menem also extolled the performance of Israeli Ambassador to Argentina Yitzhaq Aviran, a career diplomat who has been well accepted by the Argentine Government.

The letter coincided with the AMIA bombing's second anniversary and the resignation tendered by former Justice Minister Rodolfo Barra over his past ultrarightist group membership.

Before His Visit

In addition, the letter was received by Netanyahu a few days before Menem's visit to the United States to meet

with his U.S. counterpart, Bill Clinton, and to participate in the Olympic Games opening ceremony.

During their half-hour meeting, Schamis reminded the prime minister of their common friendship with Vernon Walters, a retired general and former U.S. diplomat. Netanyahu and Walters were Israeli ambassador to the United Nations and U.S. ambassador to the United Nations, respectively, under the administration of former President Ronald Reagan.

During their meeting, Netanyahu became interested in Menem's Syrian origin and asked if he had any clout on Syria, a country with which Israel has an old border conflict over the Golan Heights. Menem has unsuccessfully attempted to conduct negotiations of good offices between the two countries.

Nevertheless, Israeli Government officials told Schamis that Menem would be invited to again visit Israel in October.

Argentina: Navy COS Meets Visiting PRC Navy Commander

*PY1707223696 Buenos Aires TELAM in Spanish
1511 GMT 17 Jul 96*

[FBIS Translated Text] Buenos Aires, 17 Jul (TELAM) — Admiral Enrique Molina Pico, Navy chief of staff [COS], today met PRC Navy Commander Zhang Lianzhong, who is paying an official visit to Argentina.

Military sources have reported that, during the meeting at the "Libertad" building, the Navy headquarters, the two Navy leaders committed themselves to join efforts towards achieving enhanced integration, cooperation, and mutual support, by exchanging ideas and agreements.

The two Navy leaders also agreed to promote the exchange of statistical data and information on training programs, and the implementation of communications, meteorological, and data processing systems.

Admiral Zhang Lianzhong was informed of our Navy's participation in UN peace missions.

On 18 July the PRC Navy commander will visit the Puerto Belgrano Naval Base, where the Atlantic Naval Area Command is headquartered, and will tour Atlantic Naval Area Command offices and units, with the goal of gaining an insight on the various activities being carried out there.

Argentina: Effects of Sanctions on Colombia Examined

*PY1807004496 Buenos Aires CLARIN in Spanish
17 Jul 96 p 12*

[Editorial: "Sanctions Affecting Colombia"]

[FBIS Translated Text] The U.S. Government decision to cancel the visa of the Colombian president is within the framework of a number of sanctions and pressures announced as part of a drug enforcement strategy. This measure, however, marks a grave precedent that might affect hemispheric relations.

It is the first time the United States imposes such a veto, which denies a constitutionally elected president entry into the country. We do not recall similar cases in the past affecting illegitimate or de facto rulers.

The decision to permit the entry of any foreign citizen into one's country is an undisputable prerogative of the host state, but the announced decision to include a head of state in the category of undesirable turns the measure into just another application of the principle of extraterritoriality of a U.S. law that violates foreign state sovereignty.

The situation is different, we understand, because of the penetration of drug trafficking in economic and political structures and in international trade organizations. The Latin American agenda includes the issue as a priority because it seriously complicates the health of young democracies in the continent.

The refusal to grant a visa to Ernesto Samper, who has been accused of having benefited from his connections with drug cartels during the presidential race, is directed to break the deadlock in the Colombian political crisis and increase the pressure on drug trafficking and corruption, in Washington's point of view.

As of March, different economic and diplomatic sanctions increased the deterioration of the already critical Colombian institutional situation. The country is currently going through one of its worst moments in its nearly 40 years of uninterrupted stability.

President Samper, who is through just half of his turbulent mandate and sees his support gradually dissipating, has lost a great part of his internal credit and the support of the main political and social groups. But his future must be strictly in the hands of Colombian institutions, its representatives and judges, or it must rest on his personal decision.

Samper's future notwithstanding, and beyond the complex web of relations between drug traffickers' power,

the Colombian state, and drug traffickers economic circuits, the U.S. measure projects the unsupportable impression of an exaggerated interference in Colombian affairs. This impression might have a negative effect on U.S. relations with Latin America because of the basic belief in the legitimacy of their heads of state's mandate, which emanated from free elections.

Bolivia

Bolivia: Helms-Burton Law Delay Said 'Positive Sign'

PY1707162996 Madrid EFE in Spanish
2240 GMT 16 Jul 96

[FBIS Translated Text] La Paz, 16 Jul (EFE) — The Bolivian Government today described as "a positive sign" the decision made by U.S. President Bill Clinton of postponing the most noxious effects of the Helms-Burton Law against Cuba.

Bolivian Foreign Minister Antonio Aranibar today told EFE: "In light of the developments, the Bolivian Government believes the decision made by President Clinton represents a positive sign. We hope there will be prospects for holding talks on the future of this measure."

President Clinton announced today the enforcement of the Helms-Burton law, but chose to suspend for six months the right of U.S. citizens to file claims on their properties, which were confiscated by Cuba after the 1959 revolution, a right contemplated under Title III of this law.

Aranibar recounted that the Helms-Burton Law was objected to by significant sectors and regional organizations, as the Rio Group, which, during a meeting with the EU that was held in mid-April in the Bolivian city of Cochabamba, condemned the U.S. decision.

The Bolivian foreign minister emphasized: "Even though it is a partial announcement, it raises hopes." Aranibar is not aware of the possibility of the Rio Group, the regional political consultations mechanism, issuing its stance on this announcement.

Aranibar explained: "If a petition is raised in this connection, we will voice an opinion on it."

The Helms-Burton law was approved by the Clinton administration on 12 March, following the Cuban Air Force's downing of U.S. civilian aircraft piloted by members of the Cuban exile group "Brothers to the Rescue."

Bolivia: UCS, MBL Vow To Continue Support for Coalition

PY1807035196 Cochabamba LOS TIEMPOS
in Spanish 6 Jul 96 pp A1, A6

[FBIS Translated Text] La Paz, 5 Jul (LOS TIEMPOS) — The Solidarity Civic Union (UCS) and the Free Bolivia Movement (MBL), which are two government coalition members, have committed their participation and support for the government of the MNR-MRTKL [Nationalist Revolutionary Movement-Tupak Katari Revolutionary Liberation Movement] until the end of its term, because they are fully identified with the process of structural reforms under implementation in Bolivia.

UCS deputy Marco Antonio Duran has said that his party will participate in the government at least until September 1996, when it will hold its national convention.

Duran categorically said that the USC, led by the objectives of its late founder Max Fernandez, is firmly supporting the governability agreement to make feasible the approval of laws and the process of changes implemented by the government.

He added that through the approval of the laws for people's participation, educational reform, capitalization and administrative decentralization, the UCS gave the country the changes that had to be made.

"UCS supports the process of changes promoted by the government, not in order to obtain jobs but because we are convinced that the country needs some transformations," the lawmaker explained.

For his part, MBL acting chief Miguel Urioste reiterated his party proposal to remain in the government coalition until August 1997.

Urioste reiterated that "the MBL is fully identified with the process of changes being promoted by the MNR, which is not yet over. In this regard, we will continue supporting the laws promoted by the government of President Sanchez de Losada until next year."

He termed "positive" the government work by the coalition of the MNR, MRTKL, MBL, and UCS.

"The MBL has managed to successfully combine the commitment to change, the promotion of the reforms, the professional technical skills, and the political commitments," Urioste said.

Pink Cabinet?

Concerning the MBL leaders' proposal to exclude the "technocrats" from the executive branch as of August

1996, Urioste said that "it is a wrong idea, because it is necessary to guarantee the continuity of the political-administrative structure of the country, an objective that the MNR will be unable to do by itself."

He said that high-ranking public officials must be replaced with every government change. "However, in this case, low and mid-level public servants should not depend on political parties but on their efficiency and professionalism," he said.

Bolivia: Minister Views Coca Crop Eradication Targets

PY1707223896 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 17 Jul 96

[FBIS Translated Text] In keeping with a commitment with the United States, the government will eradicate 3,700 hectares of coca crops in the Chapare tropical zone by the end of July. Six thousand hectares of coca crops have been targeted for destruction in 1996.

Minister of Government Carlos Sanchez Berzain said his ministry wants to move ahead of the scheduled deadlines, an achievement that has been made possible by a \$10-million U.S. donation for the balance of payments. Part of these funds have been allocated for coca crop eradication, Sanchez Berzain emphasized.

The minister of government announced that he again will visit the Cochabamba tropical zone on 20 July to personally check the eradication efforts.

Sanchez Berzain explained that the president has secured a \$100-million EU cooperation for implementing alternative development projects. These funds will be disbursed over a five-year period. Even though many European expert delegations have already arrived in our country, a firm date for the first disbursement has not yet been set. He added that these funds will be used for financing the coca crop survey program expenditures.

Bolivia: News Summary for 12 Jul

96CA0247A (Internet) Bolivian Social Communications Ministry WWW in Spanish 12 Jul 96 Morning Edition

[From the Computer Services Network of the Bolivian Social Communications Ministry <http://utama.bolnet.bo:80/mcs/matind.htm>]

[FBIS Translated Excerpt] [passage omitted]

Front Page News Briefs [passage omitted]

Poorcut Excluded From Pension System

Intending to dispel the slightest doubts by providing a wealth of details, yesterday evening Sanchez de

Lozada explained the new Pension Bill. He frankly acknowledged that the new system will not accept independent workers who earn less than 500 bolivianos. He admitted that the old system has no future any longer. The opposition is barely beginning to digest the reform, but it is advising the COB [Bolivian Labor Federation] to "radicalize its actions." [passage omitted]

Political News

Chileans Will not Administer Pension Funds

"I have learned from all the troubles with ENFE [Bolivian National Railway Enterprise]. This was not done intentionally, but the requirements that were set do not allow any Chilean administrator to qualify to set up an AFP [Pension Fund Management Company] because the standards are very high," said President Gonzalo Sanchez de Lozada, while explaining the scope of the Pension Bill.

After his lack of success in speaking with university employees, who could not be persuaded of the Pension Bill's advantages, the president was interviewed on the program "The Invisible Man," broadcast by Radio Fides. [passage omitted]

INRA Bill Approved in General

At 22:15 yesterday evening, without great efforts and almost by consensus, the Chamber of Deputies approved the INRA [National Institute for Agrarian Reform] Bill in its broad outlines. The deputies will continue to work on the bill, dealing with its specifics and revisions, on Wednesday, 17 July.

Among the principal points of the bill, the first deputy leader of the MNR [Nationalist Revolutionary Movement] bench in the Chamber, Ismael Moron, noted the following: the reorganization of the agrarian reform system; the creation of a special judicial system in which contentious issues relating to land ownership will be worked out; and the creation of the Rural Land Registry which will allow the land's "true owners" to be determined. [passage omitted]

Energy Secretary's Resignation Reported

A number of official sources have indicated that the national secretary of energy and hydrocarbons, Mauricio Gonzalez, has submitted his irrevocable resignation from his position for "personal reasons," but no official announcement has yet been made.

During the morning, reports have continued to circulate about this resignation, but it was indicated both in the Department of Energy and in the Ministry of Economic Development that this resignation has apparently still

not been made official. Other reports indicated that the resignation was allegedly submitted directly to President Gonzalo Sanchez de Lozada. [passage omitted]

Bolivia: News Summary for 15 Jul

96CA0248A (Internet) Bolivian Social Communications Ministry WWW in Spanish 15 Jul 96 Morning Edition

[From the Computer Services Network of the Bolivian Social Communications Ministry <http://utama.bolnet.bo:80/mcs/matind.htm>]

[FBIS Translated Excerpt] [passage omitted]

Political News [passage omitted]

First Interoccean Corridor Opened

In a meaningful ceremony conducted on Puente [Bridge] Desaguadero, from now on to be called Puente de Santiago de Callapa, the Patacama-Tambo Quemada highway was inaugurated yesterday. This is Bolivia's first interocean corridor.

In the opening ceremony conducted by President Gonzalo Sanchez de Lozada, the chief executive said: "This new highway is our first paved road to a border." "This is something to which we should give thought. It is our first, but it will not be the last," added the president. [passage omitted]

MBL Congress Held

The Second National Congress of the MBL [Free Bolivia Movement], which closed several days ago, confirmed the party's top leadership group of Antonio Aranibar, Miguel Urioste, and Juan del Granado, and added Tomasa Yarbui as MBL's third vice president.

The inclusion of the representative from Chuquisaca is intended to show that women have a preponderant role to play in this political party. In addition, a former COB [Bolivian Labor Federation] leader, Carlos Camargo, was placed in charge of labor issues in the party. [passage omitted]

Electoral Law Amendments Proposed

Today the CNE [National Electoral Court] will submit to the political parties a bill amending the Electoral Law. This bill is intended to improve the democratic process in next year's general elections.

Jorge Lazarte, a member of the CNE, said that this is an internal revision of the entire law, designed to make it "rational" and adapt it to conform to the changes introduced in the Political Constitution and to

the existence of the Popular Participation Law. [passage omitted]

Social News [passage omitted]

DEA Seeking Control of Bolivia, Charge Coca Growers

Villa 14 de Septiembre. According to the coca growers of the Five Federations of the Cochabamba Region, the opening of an airport in Chimore is part of the "low intensity war," and it comes in response to the U.S. government's intention, working through the DEA, to exercise geopolitical and military control over Bolivian territory.

Minister of Government Carlos Sanchez Berzain has in recent days denied the existence of a U.S. air base anywhere in the Cochabamba region, and announced the opening of a passenger and cargo transport airport in Chimore, approximately 200 kilometers from this city. [passage omitted]

Brazil

Brazil: Lisbon Press on Cardoso's Reelection 'Acceptance'

PY1707205296 Sao Paulo FOLHA DE SAO PAULO in Portuguese 16 Jul 96 Section 1 p 5

[Report by Clovis Rossi in Lisbon]

[FBIS Translated Text] What has been common knowledge in Brazilian political circles is now official: President Fernando Henrique Cardoso has said that he would "accept" his reelection.

Cardoso announced his "acceptance" in an interview he granted to the Portuguese weekly EXPRESSO regarding his attendance at the summit for the creation of the CPLP (Community of Portuguese-Speaking Countries).

It is true that Cardoso made a reservation: "If there were no one else that could continue what I am doing, I will accept" (a second four-year term in office).

Yet, his reservation is innocuous: There is no candidate to Cardoso's succession within the pro-government coalition that brought him to power.

There is no candidate for a very simple reason: a draft constitutional amendment that would pave the way for Cardoso's reelection was already prepared at the time of the arrival in Brasilia of the foreign guests to attend Cardoso's inauguration on 1 January 1995.

This was the first proposal for a constitutional amendment.

Since that time, the parties that elected Cardoso have always worked on the assumption that Cardoso would be their candidate again in 1998. Thus, there is no one to continue what Cardoso has been doing, at least within the pro-government bloc.

Slowly, the president is beginning to play his hand regarding his reelection. He had spoken about it on his previous trip abroad and the issue resurfaced in an interview published last week by the U.S. magazine *NEWSWEEK*.

Yet, in his *NEWSWEEK* interview, Cardoso was cautious and said that he had not yet made up his mind about the subject.

Cardoso has also time and again upheld a theory that would substantiate his reelection; that is, that there is little time for him to do all that needs to be done.

In his remarks to *EXPRESSO*, Cardoso said that figures on social aspects are "bad, but they are improving."

Cardoso said that Brazil needs "10 years of steady growth to persuade the world that it has changed." At that point, it became inevitable to put to him the question about his reelection.

Another Portuguese publication (*SEMANARIO*) also interviewed Cardoso, who touched again on the subject of continuity in addressing the reelection issue.

Cardoso said that it would not be necessary for him to run for office again "if there were someone else who could continue my work. The key is continuity."

In his *SEMANARIO* interview, Cardoso criticized both the right and the left.

Cardoso described as "pathetic" the fact that the PT [Workers Party], "which was a party that claimed to be progressive," voted against a proposal "increasing by a factor of four, or even more, the salary of teachers in the poorest districts of Brazil."

Cardoso also cited the PT vote against the CPMF [Temporary Tax on Financial Operations], which is also known as the tax on checks, which is earmarked to fund health expenses.

After admitting that the left "is small," Cardoso aimed his artillery again at his own support base. He said: "A portion of the base that claims to support the administration is extremely conservative, and this is not helping us much."

Cardoso is scheduled to arrive in Lisbon late tonight.

Brazil: Efficacy of Cuban Meningitis Vaccine Questioned

PY1707014396 Rio de Janeiro JORNAL DO BRASIL in Portuguese 13 Jul 96 p 3

[Article by Janete Saud and Gustavo Krieger]

[FBIS Translated Text] Brasilia — The Health Ministry has decided to purchase in Cuba, without a tender bidding, 4 million doses of vaccine against B-meningitis. Each dose will cost \$5.50. The Ministry decided to purchase the vaccines directly based on the argument that Cuba is the only country that produces this type of vaccine. According to some experts, however, the vaccine has a very low immunization capacity. Depending on the patient's age, the degree of immunization is only 50 percent.

Brazil and Cuba are also negotiating the purchase without bidding on lots of vaccines against B-type hepatitis. As a result of this negotiation, the Ministry may purchase as much as 40 million doses in an operation that will probably cost more than \$90 million to the Brazilian Government.

The Health Ministry asserts that the purchase of Cuban anti-meningitis vaccines is good business. According to the Ministry, the vaccine is not produced at an industrial level and the price is lower than that of vaccines previously purchased. In 1989, Cuba charged \$10 per dose of vaccine, while in the second purchase, the price was \$7 per dose. In addition, Cuba proposed to include in the package transfer to Brazil the technology for the domestic manufacture of the vaccine.

The use of the Cuban vaccine against B-meningitis is controversial, but the Health Ministry asserts that the field tests conducted in Brazil have yielded positive results. In children above four years of age, the degree of immunization reached 75 percent. Among children with ages ranging from two to four, the degree of immunization stood at 50 percent. According to the Ministry, the purchase has been approved by the National Committee for Meningitis Control, which is comprised of physicians specializing in this illness.

Negotiation for the purchase of vaccines against B-hepatitis is more complicated. The Health Ministry has not bought any vaccine of this type since October 1995, when *JORNAL DO BRASIL* revealed that overcharging had occurred in bidding for the purchase of 20 million doses of this vaccine. As a result, the bidding was suspended. One of the enterprises that had won the bidding was the Cuban laboratory, Heber Biotech, which had charged almost \$4 for each dose. Now that a direct sale has been decided upon, the price of the vaccine will drop by at least 30 percent.

Brazil: Chamber Approves Social Security Reform
PY1807012896 Brasilia Voz do Brasil Network
in Portuguese 2200 GMT 17 Jul 96

[Report by Flavio Figueiredo in Brasilia]

[FBIS Translated Text] In the second round of voting, the Chamber of Deputies approved today, by 317-137 votes, the social security reform. No part of the proposal has been suggested for separate voting and the text has not been modified. All possible modifications to the text have been left for the Senate.

Government leaders in the Senate plan to reinstate, as much as possible, the federal administration's original proposal. In accordance with the alternate text presented by Deputy Michel Temer, retirement will be granted based on the number of years during which the employee contributed to the social security system. Men will have to pay contributions for 35 years and women for 30 years. Seniority will no longer be taken into consideration.

All teachers will be entitled to special retirement after having contributed to the system for 30 years, in the case of male teachers, and for 25 years in the case of female teachers. The proposal also states that the salaries and pensions of active and retired employees will be identical, and that a complementary law will specify the social security rules to be applied to members of the military.

Brazil: Malan Terms 10-12 Percent Growth 'Myth'
PY1607235596 Sao Paulo O ESTADO DE SAO
PAULO in Portuguese 14 Jul 96 p B9

[Interview with Finance Minister Pedro Malan by Soraya de Alencar and Beatriz Abreu in Brasilia; date not given]

[FBIS Translated Text] [O ESTADO DE SAO PAULO] The level of international reserves was very much questioned last week and during the debates the exchange rate issue was also discussed. Do you believe that the current exchange rate is compatible with economic growth?

[Malan] There is no direct relation between these two things. I believe that your question refers to the following: The higher the economic growth rate for a certain income elasticity and for a demand for imports, the higher the level of imports. This results, therefore, in an increasing trade balance deficit, which can call for a correction in the exchange rate. I would like to say that what matters is that our imports and exports are currently increasing simultaneously.

[O ESTADO] Wouldn't it, however, be necessary to modify the exchange policy in order to have a well-balanced trade balance?

[Malan] The country no longer needs to have a policy to bring about the mega trade surpluses, which totaled an average \$13 billion and became so typical of the 1983-1994 decade. In 1988, the surplus stood at \$19 billion and most of it resulted from restrictions to imports and not from increasing exports. There were reasons for that because we were involved in the debt crisis and were financing capital flight, including Brazilian capital. We had no capacity to make direct investments, we had no risk capital for the economy.

[O ESTADO] Many economists believe that it is not very good to have \$61 billion in exchange reserves...

[Malan] I am convinced that many of those who criticize the high level of reserves will also criticize when their level drops as it will at a given time. The level of international reserves always fluctuates. The thing is that people like to have something to talk about...

[O ESTADO] This time, however, the administration is concerned about the high level of reserves and is considering the possibility of establishing new restrictions to the admittance of foreign capital.

[Malan] What we have said about the reserves is that we are permanently studying their behavior. This does not mean, however, that tomorrow, or the day after, we will adopt restrictions seeking to reduce foreign investment. The federal administration wants to preserve its right to adopt the measures it may deem appropriate whenever it considers it convenient to do so.

[O ESTADO] According to Gustavo Franco, Central Bank director for international affairs, it would cost the country nearly \$1.5 billion to maintain the current level of reserves. Are costs reduced by drops in domestic interest rates?

[Malan] Currently, our reserves yield a profit of almost 7 percent per year and the cost of loans abroad has been dropping considerably too. The difference between what we profit on the reserves and the coupon on the dollar, which currently stands at 10 percent, is approximately 3.4 percent. Compared to the security of having a comfortable level of reserves in case of any speculative attack on the Real Plan, this does not prove absurdly expensive.

[O ESTADO] Doesn't the federal administration fear a new speculative attack on the plan?

[Malan] There are no hints of a speculative attack. The only possibility would be a huge crisis of a political-institutional or economic nature.

[O ESTADO] What do you think of some analysts' theory that a 5-percent growth of the GDP is too little and that Brazil should be growing 10-12 percent per year?

[Malan] By trying to grow 10-12 percent per year, the country could experience balance-of-payment problems. This means that the amount of imports will increase and that part of the exportable production will be diverted to the domestic market. At the end of the 1960's and 1970's, we had this level of growth and exports grew 25 percent and imports 27 percent. It is true that it was on a very low basis. In 1968, for example, our exports totaled \$1.8 billion. Today's base is \$50 billion. To say that we can now grow 10-12 percent per year is a myth.

[O ESTADO] Would that bring back inflation?

[Malan] If it were possible to grow at these rates, there would be enormous inflationary pressure and problems in the balance of payment. We must have a sustainable growth. These bursts of growth are not sustainable and bring about all sorts of problems.

[O ESTADO] Can it be said, therefore, that in the current scenario there is no direct relation between the exchange rate and growth?

[Malan] Some say that the federal administration considers itself immune to any problem related to the exchange rate policy. We have never said that we are immune to anything. We believe, however, that — first of all — the situation is different. Second, that we have instruments, flexibility, and conditions to respond to changes occurring abroad or domestically, as well as to these two, combined changes. We have no bonds such as the one our southern neighbor does (referring to Argentina, which has a fixed exchange rate). We have a flexible system, a system of bands that is perfectly well understood nowadays.

[O ESTADO] What has changed?

[Malan] Currently, the quality and the composition of the capital flows coming to Brazil have improved considerably. Direct investment, for example, is by no means short-term. Therefore, concerns about inflows, which consisted of extremely volatile capital with extremely short terms and served only to regulate the level of interest rates, has been progressively losing importance. We have referential rates.

[O ESTADO] The level of Brazilian interest, however, remains very attractive.

[Malan] Indeed, but a lot less attractive than in 1994 and 1995.

[O ESTADO] Therefore, it makes no sense to talk about quarantine? Last week there was speculation about a 120-day quarantine.

[Malan] The IOF [Financial Operations Tax] we currently have already plays this role. When an IOF is levied on the admittance of capital into the country, this means that this capital will have to stay in the country longer in order to allow the investor to recover the percentage he had to pay when he invested the money in Brazil.

[O ESTADO] No IOF is levied on capital invested in the stock market, however.

[Malan] If all the foreign capital currently in the stock market were withdrawn in one single week, the price of shares would go down sharply. As a result, the investors would bear losses.

[O ESTADO] Isn't the admittance of a net \$1 billion in a single week reason enough for concern?

[Malan] For a \$700 billion economy like our current one, it is nothing absurd.

[O ESTADO] Within the framework of the opening of the economy, doesn't the decision to increase the import tariff on toys represent a step backward?

[Malan] No, I believe that the strategy of opening the Brazilian economy is irreversible. Naturally, this strategy affects industries, areas, and regions in different manners. In an overall way, however, it has led to an increase in the average productivity of the economy, and this is what matters in terms of future growth.

Brazil: Policy on Free Concessions in Telecoms Analyzed

PY1707213196 Sao Paulo FOLHA DE SAO PAULO in Portuguese 14 Jul 96 Section 1 p 14

[FBIS Translated Text] The Fernando Henrique Cardoso administration has lost its first opportunity to fulfill the promise of putting an end to free concessions in the telecommunications area.

The Globo Organizations, of the Marinho family, and the Abril Group, of the Civita family, obtained free concessions, for 15 years, to exploit the new and extremely lucrative market of subscription television, via satellite, through mini parabolic antennae.

The concessions were signed by Communications Minister Sergio Motta at the end of April. A resolution authorizing the Abril Group to use the U.S. satellite Galaxy to exploit the service was also signed.

The package also included a concession for "a subscription radio broadcasting, via satellite," for the Rede Bandeirantes group.

It is estimated that by the year 2000, the mini parabolic antennae will have nearly 2 million subscribers. The service is similar to that of subscription television.

The difference is that this service does not use conventional parabolic antennae or cables. It picks up images through pizza shaped antennae up to 60 cm in diameter. The equipment can be installed on windows in houses and apartments.

At least two more enterprises are requesting free concessions for subscription television via satellite, due to a precedent established by the administration. The enterprises claim that they had signed contracts with the Brazilian Telecommunications Company (Embratel), which contemplated future exploitation of subscription television services.

Renato Guerreiro, executive secretary of the Communications Ministry, has confirmed to FOLHA DE SAO PAULO that these requests exist, but did not identify the enterprises. According to him, the requests are being studied.

These concessions conflict with the package of measures the federal administration announced at the end of last year, when a decree putting an end to free concessions and calling for biddings was issued.

At the end of May, 40 days after having granted the concessions to the Globo and Abril groups, the Communications Ministry started debating a new norm about subscription television via satellite.

It has been proposed that the new concessions be granted for a period of 10 years (the two groups obtained 15-year concessions), and that biddings be held for the sale of these concessions.

In contrast, the U.S. Government sold at the beginning of the year a concession for subscription television via satellite for \$682 million. The TCI, as well as Rupert Murdoch — Globo's partner in the undertaking in Brazil — have purchased the concession.

The Collor Administration resolution is one of the most liberal resolutions ever approved for the telecommunications area.

In addition to dispensing with concessions for exploitation of the services, the resolution opened the market for foreign satellites without demanding reciprocity from other countries.

Minister Motta deemed that the two groups were entitled to free concessions because they were already

transmitting, through Embratel, subscription channels to those who subscribed to the Globosat (Globo) and Digisat (Abril) services.

TVA, of the Abril Group, has already started to commercialize its subscription television service through mini parabolic antennae, under the DirecTV trade mark.

The Civita family is associated in this undertaking with Hughes (a General Motors division), which owns the Galaxy satellite; with Mexico's Multivision; and with Cisneros, the largest Venezuelan entrepreneurial group.

The Globo group will begin exploiting the service in September in partnership with Murdoch's News Corporation, TCI (the largest subscription cable television in the United States), and Mexico's Televisa.

The two consortia want to exploit the service all over Latin America, and Brazil (the largest market) has been the first Latin American country to grant concessions without making any restrictions.

Mexico and Argentina, in contrast to Brazil, have imposed conditions. The Argentine Radio Broadcasting Federal Committee has decided that the consortia can only exploit this type of service in the country if they use the Argentine Nahuel satellite, which will be launched at the end of the year. In other words, they cannot use the U.S. satellites.

According to Norberto de La Pena, director general of the Argentine committee, satellite television service through mini parabolic antennae has been considered a service similar to subscription cable television.

According to Argentine law, it means that the consortia will not pay for the concessions, but will have to pay the government 6 percent of the overall value of monthly payments paid by the subscribers, as the 1,200 companies that operate cable television services in that country do.

"I believe that the Brazilian Government should have protected its consumers' market," La Pena said.

Mexico, on the other hand, demanded that the U.S. Government authorize the use of Mexican satellites in its market and the request has been granted.

A detail of the resolutions signed by Motta stands out: The concessions had a retroactive effect preceding the date of the contracts signed by the Globo and Abril groups with Embratel.

In Globo's case, the 15-year concession is retroactive to 22 December 1994. The TVA concession (of the Abril Group) was retroactive to 25 October 1994.

Just like the Abril Group, the Globo Organizations will use a U.S. satellite (Panamsat 3) to transmit its subscription channels through mini parabolic antennae.

Queerreiro said that the Globo Organizations have already requested permission to use the Panamsat and that the request will be granted.

Brazil: Bond Issuance Increases State Indebtedness
PY1707024796 Rio de Janeiro O GLOBO
in Portuguese 15 Jul 96 p 15

[Report by Angelica Wiederhecker and Adriana Chiarini]

[FBIS Translated Text] The federal government was surprised by the increase in the deficit of Rio de Janeiro states and counties, caused by the growing number of printed domestic debt papers of state and municipal governments. Such papers are bonds that are sold on the financial market. Since the beginning of the Real Plan, the Senate has authorized the issuance of bonds worth 2.28 billion reais [R], while it is now studying requests for issuance of an additional R1.1 billion. State and municipal administrations have justified such issuances by a constitutional norm that allows the contracting of debts for payment of legal commissions (legal cases that the governments lost at court and that involve payment of compensation). The money, however, is being unconstitutionally given another use, according to a federal government report.

The report — issued on 3 July by the Economic Policy Secretariat of the Finance Ministry, and made available to O GLOBO — states that "in practice, some states have been making use of this constitutional norm to pay obligations owed to suppliers and personnel expenses, yet without paying the legal commissions." The use of funds for another purpose is unconstitutional, according to Treasury Secretary Murilo Portugal and Senator Vilson Kleinsubing (PFL-SC) [Liberal Front Party-Santa Catarina], the government's deputy leader in the Senate.

New bonds may be issued for payment of legal commissions only in case of commissions existing at the time the Constitution was approved (1988), in line with Article 34 of its Temporary Provisions. The funds must be exclusively used for that purpose. However, there are some curious cases: Pernambuco, for example, which never had a significant domestic debt, recently managed to have the Senate authorize the issuance of R480 million for payment of commissions.

Senator wants Central Bank — BC — auditing on benefited states and counties

Kleinsubing, who at the Senate voted against all authorizations for payment of commissions, on 14 July said he

will demand BC auditing into all the states and counties that benefited from the authorizations, to see whether the money that was obtained from the market was actually used for paying commissions.

He said: "The Santa Catarina Legislative Assembly approved the issuance of bonds worth R585 million. This figure surpasses the value of all the bonds the state has issued, which is R423 million. The factors that most strongly spurred deputies to vote in favor of the issuance of bonds were the contractors, because the funds will be used for making payments to them, for paying part of the payroll, and for making payments to banks."

According to a BC opinion, submitted to the Senate by BC President Gustavo Loyola and by bank director Francisco Lopes, the state of Sao Paulo, which asked for issuance of bonds worth R650 million, has claimed to have no data to check whether the money obtained through the previously issued bonds was fully used for payment on legal commissions.

The issuance of bonds for payment of legal commissions has raised the indebtedness level of the states. This has deteriorated the finances of state and municipal governments, which passed from a primary surplus (which excludes financial income and spending) of 0.08 percent of the Gross Domestic Product (GDP) in the first four-month period of 1995, to a deficit of 0.83 percent of GDP in the same period of 1996. These data are based on statistical figures compiled by the BC.

The BC opinion — signed by bank President Gustavo Loyola — on a bond issuance request submitted by the state of Sao Paulo, reads as follows: "In the opinion of the BC, the justification of the above disputes, especially the constitutional justification, may lead to a disorderly growth of the domestic debt of states, with negative consequences for the stabilization process."

The disputes to which Loyola referred are three: the lack of confirmation that the funds collected from the financial market were used for paying legal commissions; the lack of a court decision compelling states to make compensation payments; and the request for issuance of bonds worth R42.8 million to compensate the state of Sao Paulo for payments on legal commissions made with tax revenues.

Bonds may not be issued to compensate states

Francisco Lopes, director of the BC Monetary Policy department, added that paragraph IV of Resolution 69 sets forth that the money obtained through the bonds must be exclusively used for paying commissions, and for this reason they may not be used for compensating a state for commission payments that were eventually made with funds from other sources.

"The BC opinion is inaccurate," said Senator Gilberto Miranda (PMDB-AM) [Brazilian Democratic Movement Party-Amazonas], president of the Senate Economic Affairs Committee (CAE), claiming that the BC did not properly interpret the law.

Senator Miranda was rapporteur of the issue within CAE, which on 11 July approved a bond issuance request worth R650 million, including the R42.8 million for compensation of the state for commissions that have already been paid. The version of the proposal approved by the commission added that another bond issuance request worth R607.2 million would be granted only after the courts make a final decision, and set forth that the state should take the court document to the BC.

"I believe this condition can resolve the problem from now on. Yet I want to insist on the opening of a separate account for keeping the funds obtained through the bonds. And funds will be drawn from that account only for making payments on commissions," Kleinubing said.

While submitting the issue to the CAE, however — before approval of the report submitted by Gilberto Miranda — Francisco Lopes was already warning that if the state is not legally compelled to pay, it may not print the bonds.

Brazil: Opposition Seeks CPI Into Budget Funding
96SM0439A Rio de Janeiro JORNAL DO BRASIL
in Portuguese 12 Jul 96

[Article by Ilmar Franco and Oswaldo Buarim, Jr.: "Opposition Wants CPI on Distribution of Funds" — received via Internet]

[FBIS Translated Text] Dissatisfied congressmen are going to collect signatures for opening an investigation into favoritism in the release of federal funds.

Brasilia—Congressmen dissatisfied with the political distribution of funds from the Union Budget will begin collecting signatures on Monday to create a congressional investigating committee (CPI) on budget execution. The purpose of the CPI is to investigate the process by which projects and releases of funds were approved and the part played by lobbying firms in the administration's budget decisions.

"When the CPI on the budget was operating, we focused our investigation on the activities of congressmen and ignored the other side of it: the executive branch," says Sergio Miranda (Minas Gerais), leader of the PCdoB [Communist Party of Brazil]. Miranda believes that congressmen in the pro-government bloc will support him in setting up the CPI since they are also unhappy about being pushed away from the budget table. "I have

been encouraged by pro-government congressmen to go forward with the CPI," he revealed.

Besides favoring congressmen in the pro-government bloc, the interference by lobbyists also raises suspicions regarding the technical criteria used to justify the signing of agreements. Deputies Paulo Heslander (PTB [Brazilian Labor Party], Minas Gerais) and Heraclito Fortes (PFL [Liberal Front Party], Piaui) were making generic complaints a few days earlier, but on Wednesday Deputy Luciano Pizzatto (PFL, Parana) made the first specific complaint to Globo TV. The Finbank (Financial Consulting, Ltd.) firm was allegedly approaching mayors in Parana and offering to act as middleman in obtaining funds from the National Educational Development Fund (FNDE), school lunches, milk, the maintenance kit, and the maintenance of local roads in exchange for a 30-percent commission.

Yesterday Senator Eduardo Suplicy (PT [Workers Party], Sao Paulo) asked that Finbank's director, Jose Jarbas Pereira, be summoned to explain matters to the Budget Committee. Suplicy also asked the Federal Police to immediately search for and confiscate documents. "Action by the Federal Police, which seized various documents at Seval [expansion not given], was essential to the CPI on the budget in proving collusion between that firm and congressmen," he pointed out. Minister of Education Paulo Renato Souza has ordered an internal investigation to ascertain the participation of lobbying firms in the allocation of FNDE funds. But the minister said he had no "information about deals with that firm."

Barjas Negri, director of the FNDE, denied the possibility of activities of that kind. He explained that the FNDE's budget for the first six months of the year was 804 million reais and that of that amount, 194 million reais went directly to the schools, 206 million reais went to the Student Assistance Foundation, 152 million reais went to the program for unfinished construction, and 60 million reais was used to equip schools. "The only room for maneuver available to me involves 142 million reais for the renovation, expansion, and construction of schools in the North and Center-West Regions," he said.

Brazil: PFL Leader's City Favored With Funding
96SM0439B Sao Paulo FOLHA DE SAO PAULO
in Portuguese 12 Jul 96

[Article by Lucio Vaz: "Public Funds: Pro-Government Deputy's City Among Those Most Favored" — received via Internet]

[FBIS Translated Text] Benito Gama has obtained 2.04 million reais for his electoral stronghold.

Brasilia—The City of Itacu, Bahia, with a population of 22,000, was one of those most favored by the release of funds from the Union Budget. It received 1.43 million reais.

Itacu is the hometown of the government leader in the Chamber of Deputies, Deputy Benito Gama (PFL [Liberal Front Party], Bahia).

The deputy received 2,900 votes in Itacu in 1994. Oswaldo Gama, Benito's brother, is running for mayor of that city. The current ruler is Rubens Costa dos Santos, the government leader's cousin.

Benito obtained another 600,000 reais for Livramento do Brumado, Bahia, his main electoral stronghold in the interior. In all, he was able in June to ensure the release of 2.04 million reais.

The PFL member's amendment for sanitation projects in Itacu has a value of 757,400 reais.

The Federal Savings Bank issued three allocation orders for the city on 25 June: for 533,400 reais, 150,000 reais, and 74,000 reais.

On the following day, the Secretariat of Water Resources issued an allocation order for Itacu in the amount of 683,200 reais. That money is intended for the construction of a dam.

'I Obtained It All'

Benito Gama says the release of funds for Itacu and Livramento do Brumado is legitimate. "My amendments were within the quota for each deputy."

The leader says that the money for the dam had been on the way since 1995. He said he was responsible for practically all the public works in the city.

"I obtained it all: the road, the airport, the hospital, and electricity. It is my hometown. I have been working for that for 25 years. I feel that it is legitimate work. I admit that I do it."

Benito said his work had no electoral objectives, especially since the return is so small: "I received 70,000 votes in the state. Including 2,900 in Itacu."

The deputy said that he would support his brother as a candidate but that he had opposed his candidacy.

"That is not going to change my position with the voters. But since he decided to run at the request of the governor (Paulo Souto), I will help him," he said.

Brazil: Dornelles Refutes Charges of Closing Market

96SM0439C Sao Paulo O ESTADO DE SAO PAULO in Portuguese 7 Jul 96 p B9

["Excerpts" from interview with Francisco Dornelles, minister of industry, commerce, and tourism, by Ribamar Oliveira; place and date not given: "(headline indistinct)"]

[FBIS Translated Text] *The minister says that Brazil will not make a "foolish opening up," and he supports safeguards and surcharges.*

Brasilia—Francisco Dornelles, minister of industry, commerce, and tourism, does not accept the criticism that he is promoting a gradual closing of the economy. He claims that the government is committed to opening up trade because it considers that step necessary to the Real Plan and for improving industry's productivity and competitiveness. But he says there is a difference between an opening up and a foolish opening up [a pun in Portuguese]—one that is made by fools and only reduces income and employment.

In the midst of the controversy caused by the 70-percent surtax on toy imports, Dornelles points out that safeguard instruments, compensatory duties, and antidumping measures are provided for in the legislation approved by the World Trade Organization (WTO). And he warns: "We are not going to allow unfair trade practices to destroy organized industry and take jobs away Brazilian workers." When the government is accused, because of the surtax on toys, of backing away from the planned opening up, Dornelles strikes back: "No one feels that the United States is closing its economy, but it has 16 measures against Brazilian products."

In this interview, Dornelles says he is not worried about the reaction by Brazil's trading partners. On the contrary, "I want to reopen the case involving the imposition of compensatory duties on Brazilian instant coffee by the European Union and that involving orange juice in the United States." Here are the principal passages from our interview.

[ESTADO] Some critics are saying that you are the minister for closing the economy.

[Dornelles] Anyone who says that does not understand anything about foreign trade. There is nothing worse than those people who were Marxists until a short time ago and who now say that everything is an attack on the principles of a liberal economy. I have always supported—and I still support—the opening up of trade. So I am an economic liberal. But I am no

fool. The opening up of trade is a sound process aimed at increasing income and employment. It differs from a "foolish opening up of trade," which is an opening up carried out by fools because it only reduces income and employment. President Fernando Henrique Cardoso has already stated that opening up the economy is a fundamental instrument in the Real Plan. I think so, too. But we are not going to allow unfair trade practices to destroy organized industry and take jobs away Brazilian workers.

[ESTADO] As a result of the 70-percent surtax on toy imports, many people have come to doubt whether the government wants to really open up the economy or merely protect industrial sectors which in many cases are considered inefficient.

[Dornelles] There is no doubt within the government concerning the need to open up trade. The opening up is an important instrument in industrial policy. It is the means of improving domestic industry's product quality, productivity, and competitiveness. But the legislation approved by the World Trade Organization, which regulates international trade, provides for safeguard instruments and compensatory duties as well as antidumping measures. There is terrible confusion in Brazil about those issues. Some people frequently confuse the adoption of safeguard measures with a closing down of the market. Safeguards, antidumping measures, and compensatory duties are instruments for opening up the economy. There can be no opening up of the economy without those instruments. Safeguards were never applied in the former Soviet Union. The only thing is that there, it was impossible to import anything. Every country in the world which has an open economy uses those instruments because they are linked to the opening-up process. They exist to cancel out practices harmful to the freedom of trade.

[ESTADO] What some people say is that Brazil is not adequately equipped to deal with those unfair trade practices.

[Dornelles] It is true that Brazil does not have an apparatus as sophisticated as that in the United States. Especially since the opening up of the Brazilian economy began only a short time ago. Part of our domestic industry complained during the process of opening up trade—because that part was inefficient. But another part complained because of unfair competition. We are beginning to create a structure to monitor and stop those unfair practices. The Department for the Defense of Trade in the Ministry of Industry, Commerce, and Tourism has a very good team of experts. In the month of June alone, that department examined four cases. It applied a safeguard in the case involving toys and dismissed the cases

relative to magnesium metal and wheat because it was not proven that the practice of dumping had done any harm. And the department will function much better in the future. When the opening up began, our country did not have those instruments. That is now being corrected.

[ESTADO] So the recent measures are not a step backward?

[Dornelles] No. No one feels that the United States is closing its economy, but it has 16 measures against Brazilian products. No one feels that the European Union is closed, yet it is full of measures against Brazilian products. No one feels that Argentina is closing its economy, but it has adopted several measures against Brazilian exports. What exists here is underdevelopment. The others can apply protectionist measures against us and they are not closing the market. When Brazil adopts those measures based on the same legislation being used by the others, some people come along saying that there is a retreat from the opening up and that we are closing the market. We must reverse that colonialist picture.

[ESTADO] In the case involving the toys, isn't the government protecting an industry that had a long time in which to adapt to the opening up of trade but did not make the necessary investments, reduce its costs, or improve its competitiveness?

[Dornelles] Safeguards today are adopted on the basis of the WTO's legislation. The toy industry filed a complaint alleging that it was suffering harm because of unfair trade practices. Its complaint met the requirements of the existing legislation regarding safeguards, and Brazil therefore applied that measure. But it should be remembered that the complaint by the magnesium metal industry was rejected.

[ESTADO] Aren't Brazil's trading partners going to react to the surtax on toys?

[Dornelles] I am going to begin a reaction against the restrictions that other countries place on Brazilian exports. I want to reopen the case involving the imposition of compensatory duties on Brazilian instant coffee in the European Union. I want to reopen the case involving orange juice in the United States. I want to reopen the case involving the imposition of compensatory duties on steel exports to the United States. Those who should expect a reaction are the countries that impose restrictions on Brazilian exports.

[ESTADO] Other critics say that the government is pursuing an erratic policy and that it does not yet have a clear industrial policy.

[Dornelles] That is another erroneous criticism. Fernando Henrique Cardoso's administration does have a clear industrial policy. I can cite at least nine instruments in that policy. The first is the stability of the currency. Without stability there is no planning, investment, or industry. The second instrument is equilibrium in the public accounts. That path will make it possible to reduce interest rates. By that means we will eliminate one extremely high cost borne by industry and trade and increase the amount of investment. The third point is elimination of the restrictions on private domestic and foreign investment. We have the privatization and concession program for that purpose. The fourth point is the opening up of trade, which is necessary to improve domestic industry's productivity and competitiveness. Another fundamental instrument is increased exports. The National Bank for Economic and Social Development (BNDES) recently increased the amount of funds available for exports in the form of financing for industry. The sixth point in the industrial policy is technological development. The equivalent of only 0.6 percent of the gross domestic product (GDP) is being spent on that sector today, but we are going to try to reach 1.5 percent of GDP as early as 1999.

[ESTADO] Industry complains a great deal about the Brazilian tax system, which places a burden on production and exports.

[Dornelles] That is the seventh point in the industrial policy: reduction of the so-called Brazil cost. Before this month is out, thanks to the Kandir Plan (Editor's note: a complementary bill submitted by then Federal Deputy and now Minister of Planning Antonio Kandir to exempt exports of semimanufactures and the purchase of machinery and equipment from the ICMS (goods and services movement tax)) and the bill by Deputy Mussa Demeas (Editor's note: rapporteur for the constitutional amendment on tax reform), we will see whether we can eliminate the taxes on exports and production. The eighth point in our industrial policy is credit policy. Every day the BNDES is expanding its field of operations to provide credit for a number of sectors considered priorities and extending its credit policy to exports. The ninth instrument concerns safeguard mechanisms, compensatory duties, and antidumping measures.

[ESTADO] Some businessmen are saying that the government opened up trade in a very drastic manner and did not help some sectors cope with the competition.

[Dornelles] The government feels that because of foreign competition, it is important to pay special attention to a number of sectors which have the capacity to grow, employ a lot of manpower, or are important

sectors of Brazilian industry. Because of that, it is necessary to have a few mechanisms in sectoral policy. There is a need for a tax system with an extrafiscal purpose. This is the case with the paper and cellulose industry, which needs to double its forest base. We need to establish a few mechanisms to encourage that. As a result of the new program, the automobile industry, for example, plans to invest approximately 17 billion reais between 1996 and 1999. It expects to spend 5 billion reais this year alone. The automobile program has already approved 106 projects. In the case of the textile industry, we established quotas, the BNDES has opened a special line of credit, and we are discussing decentralization in the form of cooperatives—an extremely important path to follow. We are looking into what it will be possible to do for the shipbuilding industry and the toy, steel, footwear, capital goods, and spare parts industries. Those are sectoral policies which we must adopt because the sectors concerned are in a position to recover, and they employ a lot of people.

[ESTADO] Do those measures in support of industry include export credit insurance?

[Dornelles] Yes. Studies concerning export credit insurance are at an advanced stage, and such insurance will be in force by 1997. We are also going to work on a single foreign trade law. Brazil's legislation on foreign trade was passed by Congress in different periods. So some laws reflect concepts conflicting with the concepts behind other such laws. We and the Brazilian Exporters Association are discussing a single foreign trade law. We are going to write one law which will be the law itself and another one which will be a consolidation of existing legislation in order to simplify the whole area.

[ESTADO] What about a bank for foreign trade along the lines of the Eximbanks found in the developed countries?

[Dornelles] I don't see a need to establish such a bank. I feel that the BNDES can take responsibility for the export credit policy. We are also going to do a lot of work with the INPI (National Institute of Industrial Property) to implement the new law on trademarks and patents, which is of the greatest importance to domestic industry. We have a rather complex situation today. I found the INPI dealing with 200,000 trademark registration cases and 70,000 patent registration cases. We need to have a revolution in that area to debureaucratize the sector. Another important thing is to see that the opening up of trade is carried out without a customs valuation. When a Brazilian businessman exports to the United States, for example, that country does not even look at the invoices. It classifies the product, says that the price of that

product is such and such, and imposes the duty. Foreign firms exporting to Brazil would issue an invoice but underbill and bring the product in. The fact that we are maintaining the system of customs valuation while opening up our trade has done a lot of harm to domestic industry. We want that classification system to exist in Brazil within two months, and to that end, we are already adopting a price reference schedule.

[ESTADO] What effects are all those measures having on the level of investment in our country?

[Dornelles] Surveys conducted by the Ministry of Industry, Commerce, and Tourism show that Brazil now has a list of investments totaling about 63 billion reals for the period from 1995 through 2000—and that is only in the industrial area. The trade and service sectors will have something in the neighborhood of 5 billion reals. The tourist industry will have 9 billion reals. If we include infrastructure investments resulting from the opening up of the petroleum, energy, and transportation sectors, the total may reach 220 billion reals. In the telecommunications area alone we will have 41 billion reals. In the energy sector 27 billion reals. In the transportation sector 20 billion reals. And in other sectors of the economy another 18 billion reals. I have no doubt that the outlook is good.

Brazil: Roundup of Economic Reports Through 17 Jul

PY1807034196

[FBIS Report] The following is a compilation of reports on economic activities in Brazil monitored through 17 July.

BASIC LEADING INDICATORS

Trade Balance Deficit Seen — The June trade balance registered a \$327 million deficit. Exports that month totaled \$3.84 billion and imports totaled \$4.167 billion. The January-June trade balance accumulated a \$296 million deficit because exports in the period totaled \$22.919 billion, which were 6.85 percent higher than the \$21.449 billion exported in the same period last year, and imports totaled \$23.215 billion instead of the \$25.716 billion imported in the same period last year, thus registering a 9.73 percent drop. (Sao Paulo AGENCIA ESTADO in Portuguese 1928 GMT 15 Jul 96)

FINANCIAL OPERATIONS

PRC Builds Factory in Brasilia — During Federal District Governor Cristovam Buarque's visit to Beijing, it was decided on 16 July that the PRC will build in Brasilia a hydrometer-manufacturing plant. These will

be high-precision instruments, will have a very low cost, and will meet the Brazilian market demand for 800,000 hydrometers per year. The meeting, during which the decision was made, was attended by Buarque, Brasilia Industry and Trade Secretary Tom Rabelo, Public Works Secretary Hermes de Paulo, AVS Foreign Trade owner, entrepreneur Antonio Venancio da Silva, and Chinese entrepreneur Cheng Gang Sun, who is the director of the Tianjin Machinery and Equipment company that manufactures hydrometers. The plant will be operated through a joint venture between AVS and Tianjin and is expected to generate 500 direct jobs. AVS already imports and sells in Brazil PRC hydrometers. They purchase them for 10 reals, R, each and sell them for R21, including freight and taxes. (Sao Paulo AGENCIA ESTADO in Portuguese 2041 GMT 16 Jul 96)

FISCAL, MONETARY ISSUES

Bank Merger Reported — The merger between the BCN and Itamaraty banks has involved \$1.180 billion, which represents the two institutions' combined assets. The new bank will be administered by a holding comprised of the Conde and Grisi families of the BCN and Olacyr de Moraes of the Itamaraty Bank. The Conde and Grisi families will have 75 percent of the holding shares and Moraes 25 percent. The overall assets of the new bank will surpass \$11 billion. The executive president of the new BCN, Pedro Conde, said that their bank "will be the fifth largest private financial institution in the country." (Sao Paulo AGENCIA ESTADO in Portuguese 1739 GMT 13 Jul 96)

Drop in Revenue Reported — Federal Revenue Secretary Everardo Maciel reported on 15 July that from January to June, the federal taxes revenue totaled R46.9 billion and was 2.78 percent less than the R48.3 billion collected during the same period in 1995. Maciel added, however, that this revenue will increase in the next few months as result of the country's economic growth resumption. In June, R7.2 billion were collected. This represented a drop of 4.66 percent compared to the previous month and of 11.83 percent compared to the same month in 1995, and was due, particularly, to the suspension of the Financial Operations Tax. In June, there was a drop in the collection of all types of taxes, including the income tax that is automatically deducted from salaries, which dropped by 14.73 percent. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 16 Jul 96 p B1)

Chile

Chile: 'Satisfaction' Over Suspension of U.S. Law Observed

PY1807024896 Santiago EL MERCURIO in Spanish
17 Jul 96 p A2

[FBIS Translated Text] After having learned about the U.S. decision [to suspend the enforcement of Chapter III of the Helms-Burton Law] Acting Foreign Minister Mariano Fernandez voiced the Chilean Government's satisfaction at this measure, arguing that it shows that the United States has taken into consideration international concern about the extraterritorial enforcement of domestic trade measures.

The acting foreign minister underscored: "We think this is most positive. We view the U.S. Government's decision as the manifestation of its firm will to contribute to the favorable climate prevalent in the Western Hemisphere, in which the Clinton administration has played an important role over the last few years."

Fernandez further stated that the six-month deferral announced by Clinton will make possible to hold important and unrushed talks about this subject.

Chile: Clinton's Suspension of Helms-Burton Law Analyzed

PY1807022796 Santiago LA TERCERA DE LA HORA in Spanish 17 Jul 96 p 23

[Article by Roberto Ordonez: "Pressure Has Prevailed"]

[FBIS Translated Text] President Bill Clinton's decision to suspend for six months the right of Americans to put in a claim for their properties confiscated by the Cuban Government constitutes irrefutable proof of the fact that above and beyond discourses, Uncle Sam's commercial and political interests take precedence over any other consideration when making decisions, even if this will entail sacrificing its paternalistic "struggle for democracy" or the interests of "thousands of fellow-countrymen."

As the November elections are only four months away, Clinton felt cornered — on the one hand, he assessed the risk of igniting a trade war with his European allies in case he enforced the controversial Chapter III of the Helms-Burton Law and, on the other, had he vetoed this legislation he would have come under fire from the Republican (conservative) opposition and would have undoubtedly lost votes among the numerous voters of Cuban descent, something which can be crucial for his re-election as president. The U.S. head of state therefore opted for an intermediate decision, which pleased friends and foes alike.

Chile: Colombian Envoy Offers Cooperation Against Drugs

PY1807032996 Santiago Universidad Catolica Television Internacional in Spanish
0100 GMT 18 Jul 96

[FBIS Translated Text] Colombian Ambassador Samuel Eduardo Salazar officially offered today to the Chilean Foreign Ministry his country's cooperation to prevent our country from becoming a bridge for international drug trafficking.

[Begin recording] [unidentified reporter] With less than one month in Chile the Colombian ambassador already had to face difficult moments, especially for the arrest of ex-Colombian diplomat Alberto Botero, who has been indicted on charges of drug trafficking. Today, Ambassador Salazar met with the acting foreign minister [Mariano Fernandez] and officially offered on behalf of his government the highest cooperation to fight drug trafficking.

[Salazar] Will also cooperate with the Chilean security forces to prevent Chile from becoming a bridge for international drug trafficking.

[Reporter] Do you agree with the procedure of Chilean justice?

[Salazar] Absolutely, I am an admirer of Chilean justice, I respect the way Chilean justice operates, it has my confidence and that of the Colombian Government.

[Reporter] Salazar denied that the Colombian diplomatic mission will provide legal advice to the family of ex-diplomat Alberto Botero. [end recording]

Colombia

Colombia: FM Says Improving Ties With U.S. 'Main Goal'

PA1807043196 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2203 GMT 17 Jul 96

[From "The Latest News" newscast]

[FBIS Translated Text] Today, Foreign Minister Maria Emma Mejia announced that her main goal is to improve relations with the United States. Assuming her post as foreign minister, Maria Emma Mejia said that the fight against drug trafficking is among the issues that must be dealt with at the international level. The newly appointed foreign minister noted that we will review our political agenda with the United States to outline future actions that will help us overcome our difficulties, based on mutual respect. Mejia added that she met with U.S. Ambassador Myles Frechette, with whom she discussed

the government's position to promote an intellectual debate on the topic of extradition.

At this moment, Foreign Minister Mejia is meeting with Defense Minister Juan Carlos Esguerra Portocarrero and Justice Minister Carlos Medellin Becerra in her office. Mauricio Echeverri, charge d'affaires of the Colombian embassy in Washington, is also attending this meeting.

Colombia: FM Takes Office, Comments on Extradition

PA1807123296 Santa Fe de Bogota Inravisión Television Cadena 1 in Spanish 1730 GMT 17 Jul 96

[Report by Ana Fernanda Valderrama; from the "National Newscast;" monitored from live relay by Lima Sistema Unido de Retransmisión Television]

[FBIS Translated Text] We are back with a direct report from the Narino Palace where Maria Emma Mejia has just taken office as new Colombian foreign minister. Ana Fernanda Valderrama reports. Go ahead, Ana.

[Valderrama] That is right, Beatriz. The new foreign minister stated at a news conference that she had a long meeting yesterday with the U.S. ambassador, adding that they agreed to fully review the state of U.S.-Colombian relations. In addition, the new foreign minister announced that a very broad debate has been opened as was previously stated, adding that a commission will be established to discuss the extradition issue.

[Begin Mejia recording] The extradition issue has been a difficult chapter in our country's recent and contemporary history. It has cost us the lives of many heroes, many youths, and many people in Colombia. However, we are confident that we have the responsibility of opening a debate and inviting the academy [as heard] to participate in it so that we may, as the president has well said, engage in a profound, peaceful, measured, and democratic debate. [end recording]

Colombia: Communications Minister Confirms Resignation

PA1807052796 Santa Fe de Bogota Emisoras Caracol Network in Spanish 0452 GMT 18 Jul 96

[FBIS Translated Text] Santa Fe de Bogota — Communications Minister Juan Manuel Turbay has confirmed his resignation. Turbay pointed out that President Ernesto Samper has already received his letter of resignation and is awaiting to confirm his cabinet with the participation of new sectors in an attempt to seek national reconciliation. Turbay said that his resignation was discussed with the president, who stated that it was suitable to make changes at the ministerial level.

Colombia: Samper on Proposal To Eliminate Vice Presidency

PA1807043696 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2203 GMT 17 Jul 96

[From "The Latest News" newscast]

[FBIS Translated Text] Today, President Ernesto Samper refrained from making any comments about extradition, which he considers a very sensitive topic. President Samper said that he prefers not to draw any conclusions and added that on 20 July, he will state his position on this topic. Samper also noted that on 20 July, he will inform Colombians of his position on the proposal to eliminate the post of the vice president in Colombia.

Today, President Samper also admitted in Cucuta that Humberto de la Calle Lombana's resignation as Colombian ambassador to Spain took him by surprise, because he did not expect it so soon. The president explained that De la Calle's resignation per se was not a surprise, but rather the timing considering that de la Calle had told him that he was planning to resign in September.

Meanwhile, the president remarked that Vice President de la Calle called him in advance to inform him that he had sent his letter of resignation. The president said that he simply answered his letter, but they did not speak about what position he will assume upon his return. Referring to rumors that De la Calle plans to join the opposition, President Samper replied that such conduct would be quite unusual in a vice president. Samper stressed that no one would understand such a gesture.

In addition, the president noted that the current debate on the elimination of the vice presidency is simply a proposal and not a formal decision. In a statement made at Narino Palace, President Samper said that a decision has not yet been made in this regard. Several proposals were merely presented during yesterday's meeting with the National Liberal Directorate, including the elimination of the vice presidency.

Colombia: Senate President Urges Vice President To Resign

PA1607123396 Santa Fe de Bogota EL TIEMPO in Spanish 15 Jul 96

[Received via Internet]

[FBIS Translated Excerpt] "If he is doing nothing as ambassador or as vice president, he should resign," the president of the Senate has said. New ministers of foreign relations and education will be sworn in tomorrow. The minister of communications is expected to resign.

Vice President Humberto de la Calle Lombana is polarizing the country as much as President Ernesto Samper. The "vice" is no longer seen as part of the solution to the political crisis, but as part of the problem.

Julio Cesar Guerra Tulena, president of the Senate and member of the National Liberal Directorate (DLN), implied this yesterday when he said that if de la Calle "does nothing as ambassador or as vice president, the best thing he can do is resign, get down in the mud, and become an alternative for power."

Guerra emphatically said that the vice president does not have the support of the majority in parliament because of "his obvious indifference toward the president of the Republic." He added that he will tell the president this during a meeting the DLN will have with the head of state tomorrow.

Meanwhile, a group of congressmen supporting Samper, including Senators Aurelio Irigorri Hormaza, Tito Rueda, Jose Renan Trujillo, Bernardo Guerra, and Representative Martha Catalina Daniels are promoting a meeting to study formulas other than de la Calle.

"During his last visit, de la Calle seemed very weak and hesitant, and gave the impression that the 'vice' option is not convincing," Guerra Serna said.

Other political leaders have gone even further, saying that if the president has to leave his post, a third option emanating from the Congress of the Republic should be considered.

"Congress did not make a mistake when it had to elect a presidential designate, so I see no reason why it would not act with the same wisdom this time," Guerra Serna said yesterday.

The formula has emerged, according to Guerra Serna, because the country has reached an "intolerable point" and because foreign and internal pressures are cornering the head of state.

"It is not only that the United States has declared Samper undesirable, but that the trial against Santiago Medina has proven that those who believe that drug trafficking money infiltrated the campaign and that political leaders were implicated are right," he added.

As a third option — a topic that will be studied seriously this week in various meetings that will take place in the nation's capital — several names have been suggested: former presidential candidates Carlos Lemos (currently ambassador to the UK), Carlos Lleras de la Fuente (former ambassador to Washington), and former Justice Minister Nestor Humberto Martinez Neira.

"The idea is to find persons who will not generate hatred and intend will unite public opinion and the country's

leadership," the liberal senator for the Atlantic Coast said. [passage omitted]

Colombia: Senator Views de la Calle's Resignation
PA1707141296 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 17 Jul 96

[Telephone interview with Liberal Senator Luis Fernando Londono Capurro by news director Dario Arizmendi in Santa Fe de Bogota; from the "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Arizmendi] One of the most serious candidates to the Senate presidency is Luis Fernando Londono Capurro, a Liberal Party senator for Valle Department and former state minister. Dr. Londono, good morning.

[Londono] Good morning, Dario. How are you?

[Arizmendi] What do you think of Humberto de la Calle's resignation as Colombian ambassador to Madrid, Spain?

[Londono] Well, the truth is, Dario, that de la Calle does not have to ask my opinion on his decisions, nor do I have to ask his opinion on mine. I have nothing more to say regarding this issue.

[Arizmendi] But do you believe that his resignation and his decision to attempt to help resolve the country's problems are good to clarify the political crisis?

[Londono] I repeat: He does not have to ask my opinion on his decisions, and I do not have to ask for his on mine. I must devote myself to what corresponds to me at this time: the legislative agenda the government will forward to Congress. As the Senate president, I made a serious commitment with the country, Liberalism, and Congress. [sentence as heard] Therefore, starting today, I will devote myself to put in order all legislative work. Congress will obviously have its own agenda, because I believe that we also need an economic agenda, a foreign policies agenda, and a social agenda.

[Arizmendi] Regarding the agenda, what is your position on the agreement the National Liberal Directorate reached yesterday with President Ernesto Samper to propose to Congress the elimination of the vice presidency and the return of the presidential designate?

[Londono] Well, Dario, it seems to me that this agenda is very significant for the country, because it contemplates constitutional reforms and bills implying the strengthening of republican institutions, including parties, and the elimination of the vice presidency. The post of the presidential designate will be restored, and you know that this post worked well for many years in our

country. I do not see any problem with it, and I believe it is important to give the state legal instruments to effectively combat the country's major scourges.

As I was saying, however, it is also very important for Congress to have its own agenda; for instance, an economic agenda. It is essential for us to simulate a process of consensus with business associations and the government to seek clear, blunt, and practical solutions to the serious problems adversely affecting the national economy and...

[Arizmendi, interrupting] Dr. Londono, excuse me. Do you agree with another legislative possibility, another suggestion, that of implementing a compulsory vote, for instance?

[Londono] Look, there has been a great deal of discussion about this issue, and I believe that it is a very significant and interesting issue; it is something we all want. However, we have to amply and democratically discuss it to make true conclusions.

Colombia: Communications Minister Confirms Resignation

PA1707141796 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1300 GMT 17 Jul 96

[Report by David Guillermo Sanchez; from the "Caracol's 0600 to 0900" newscast]

[FBIS Translated Text] Communications Minister Juan Manuel Turbay has just confirmed that he is definitely stepping down from his post and is waiting for President Ernesto Samper to decide on the appointment of his successor.

[Begin Turbay recording] The rotation was necessary. We have made a thorough analysis with the president, and I find it to be the most appropriate decision. But I have told the president that I will stay on until [words indistinct] he decides to make the corresponding changes. [end recording]

Turbay said he is satisfied with his accomplishments while heading the Communications Ministry. He would have liked, nevertheless, to have concluded several pending negotiations, such as the opening of the telecommunications sector to private investment and the concessions of FM radio stations and community stations.

Colombia: Analyst on Limiting 'Confrontation' With U.S.

96SM0441A Santa Fe de Bogota EL ESPECTADOR in Spanish 12 Jul 96

[Received via Internet]

[FBIS Translated Text] "The level of confrontation with the United States must be reduced, because raising it leads nowhere." This is the opinion voiced by the political analyst Horacio Godoy, who does not interpret it as meaning that Colombia must "kneel" before Bill Clinton's government, but that it should, indeed, seek alternatives.

The analyst expresses his fear that Colombia may respond with erroneous reactions to the cancellation of the president's U.S. visa and the growing pressure for a "discreet overthrow" of Ernesto Samper.

Godoy remarks: "It does not seem to me that Colombia has anything to gain by coming out with the statement that 'you are worse,' or 'your measure is an insult to the national sovereignty and dignity,' because, regardless of whether or not it is true, nothing will be changed by such rhetoric. What Colombia must seek is a way to bring about a change in the bilateral relations."

He declares that, for this reason, the nationalist "anti-Yankee" discourse, possibly being fed from the government, "is extremely dangerous, because it is a fuse easily lit, but leading absolutely nowhere."

Godoy views in the State Department's pronouncement the message to Colombians "to begin overthrowing Samper, doing it as democratically as possible, and we can talk later." He claims that the United States is well aware of the fact that, despite its power, this is not like the case of the island of Grenada, where it could invade with military forces, or of Panama, during Noriega's time; because the general was really being tried by the U.S. justice system, and Samper is not. "Besides, Colombia is too complex, and the United States would not take action in any part of the world nowadays without doing so through the UN."

Godoy, an advocate of Samper's departure, claims that the price that Colombia had to pay last year to make amends for the situation with the United States and to return to normal relations was far less than what would have to be paid today. He comments: "I see no solution that does not include the return to extradition in the short term. This is the proof being sought by the United States, so that it can believe in Colombia's real commitment against the drug traffic."

'The Reality'

Godoy rejects the notion that the U.S. pressure is due to the proximity of the elections on which Bill Clinton is staking his reelection. He notes: "Although that may be electoral hot air in the United States, it is a reality for Colombia, and the consequences are real. So, we have to accept it."

And, since the question now is what to do while the U.S. pressure ("which could go so far as to hamper the economy and obstruct imports: all but coca") increases, Godoy asserts that Colombia cannot engage in a confrontation with the United States. He observes: "In power relations, the one who has power can, and the one without it cannot."

So, Godoy claims, the recourse left to Colombia for living in this "real world" is to accept the fact that such a conflict cannot occur, and that we must cooperate with the Americans and try to win in matters that are really important, such as the price of bananas, or their not putting up trade barriers to flowers. These are things that produce money and feed the people."

Godoy does not deny that the United States' neo-interventionist position is "an outrage," but (he maintains) "Colombia cannot do anything but gripe about it with dignity, and I don't think that it is worth the trouble."

Along that line, Godoy suggests asking ourselves what produces more for the future. "And for a people in poverty and with urgent needs, what produces more is development, works projects, and the generation of employment." He concludes by saying: "And we here are not doing any of that because we are defending our honor, even though that may sound very harsh."

Colombia: Sugarcane Growers Fear U.S. Sanctions
PA1807131996 Santa Fe de Bogota EL TIEMPO
in Spanish 16 Jul 96

[Received via Internet]

[FBIS Translated Text] Cali — Ricardo Villaveces Pardo, president of the Association of Colombian Sugarcane Growers (Asocana), said that the export of 42,208 tons of sugar to the United States could be lost if that country decides to apply economic sanctions against Colombia, because of the political situation facing the country.

This statement, which was made before the revocation of President Ernesto Samper's visa, grew stronger after last week's news of the sanction against the head of state.

According to Asocana, if reprisals against Colombian products take place, it would affect close to 15,000 tons of sugar. Based on last year's prices, this amounts to \$7.2 million that would sell for \$3-million less in other countries.

Of the duty-free import quota set annually by the U.S. Department of Agriculture, Colombia was assigned a 42,208 tonnes, which is equivalent to 2.32 percent of the total assigned to countries enjoying tariff preferences.

"The country finds itself not at the end, but at the start of a process that constitutes a great opportunity to take the leap forward that is needed; but it is also before the risk of having to face situations that will be even more difficult than those it has already encountered," Villaveces Pardo said.

He added that the future of the economy, including the future of the sugar industry, will depend upon the ensuing political developments.

In addition to concerns over the U.S. market, sugar producers are uneasy about the Venezuelan market, because handling of the exchange rate in that neighboring country has not only affected the Venezuelan market, but it has also affected Colombia's as the amount of sugar smuggled into the country has increased.

Meanwhile, Ecuador was forced to eliminate price ranges [francas de precios] to gain access to the WTO after it took years to set those ranges. AsocaSa believes that once these boundaries begin to fall it will be necessary to take actions to correct distortions generated in the market.

Ricardo Villaveces Pardo said that, according to Asocana figures, during the past year 2,068,623 tonnes of sugar were produced in the country; exports reached 862,389 tonnes, while internal deliveries decreased by 14,542 tonnes. All of these are gross values [representadas en valor crudo].

Colombia: Business Groups To Urge Improved Ties With U.S.

PA1807022396 Santa Fe de Bogota Inravisión
Television Cadena 1 in Spanish 1730 GMT 16 Jul 96

[From the "National Newscast"]

[FBIS Translated Text] Colombian business associations have, once again, launched a lobbying campaign in the United States to try to avoid commercial sanctions and improve relations. Every 15 days, two businessmen will travel to the United States. The first two businessmen travelled today to the United States.

Business associations have taken upon themselves to improve relations with the United States. At least this

is what the president of the National Federation of Businessmen [Fenalco] said. Today, he traveled to the United States in order to make contacts with the Department of State and the Senate.

[Begin Fenalco president Sabas Pretelt de la Vega recording] I will go to Washington to talk to the members of the Embassy, to see what information they have, and who should we speak to. If necessary, I will talk to one or two persons, and will later return. We will establish a list of personalities who will later be visited by two Fenalco representatives. [end recording]

The possible indictment of President Samper at a Florida Court is also a cause of concern for the president of Fenalco, who will return to the country next week to meet with the National Business Council and with former Ambassador to Washington Carlos Lleras de la Fuente.

Colombia: 31 Percent of Businessmen Said Wary of Sanctions

PA1607231996 Santa Fe de Bogota EL TIEMPO
in Spanish 15 Jul 96

[Received via Internet]

[FBIS Translated Text] Of all the businessmen who responded to an Economic Opinion Survey (EOE), 30.6 percent believe that their businesses would be adversely affected if the United States implements trade sanctions.

Despite the uncertainty Colombian businessmen are experiencing, because most of them attribute their problems to the political crisis, the economic growth expectations have not been "deflated."

According to EL TIEMPO's EOE, industrialists remain optimistic about this year's economic performance. Forty-six percent of those who were polled believe that the country's GDP could grow between 5.1 and 6 percent in 1996.

In other words, they have better expectations than those of such entities as the Foundation for Higher Education and Development (Fedesarrollo), which, at a recent seminar, stated that the 1996 GDP would grow by 3.8 percent, taking into account the impacts of the political crisis and the sanctions the United States could impose on Colombian products. Moreover, the government itself has reservations on the performance of the country's production sector in 1996. Finance Minister Jose Antonio Ocampo said the GDP would grow by 4 percent.

There are even more pessimistic estimates. A study conducted by the Colombian Construction Board (Camacol)

two weeks ago predicted an economic growth rate between 2 and 2.5 percent for this year.

The BOE results show that for 17.4 percent of those who were polled, the GDP could grow by 4.1 to 5 percent; that for 15 percent of them, it could grow by 3.1 to 4 percent; and that for 9.7 of these businessmen, the GDP would grow by less than 3 percent.

A Better 1997

The number of businessmen who expect a better economic performance in Colombia in 1997 is higher: 52.6 percent of them believe that the GDP will grow at a rate of 5.1 to 6 percent in 1997.

Fedesarrollo also believes that the economy will perform better in this period and has estimated a 4.5 percent GDP for 1997. Meanwhile, the government expects a 5 percent overall growth.

In general terms, the expectations for 1997 are better, according to the EOE. Of the businessmen who were surveyed, 24.4 percent believe the GDP will grow between 4.1 and 5 percent, while 12.4 percent believe it will grow by 3.1 to 4 percent.

Even though the percentage of people (2.5 percent) who believe that the country could grow at a rate between 6.1 and 8 percent during this period, it was determined that those who were surveyed have better hopes for next year than for this one. Only 1.5 percent of the businessmen who were surveyed believes a 6.1-7 percent GDP is likely for 1996.

Problems Stemming from Current Situation

The EOE also asked industrialists for their opinion on two issues that are considered important for the development of Colombia's production sector: the political situation and the U.S. sanctions.

To the question: What percentage of their problems stem from the political crisis, 31.6 percent of the industrialists said that 50 to 75 percent of their problems are due to it.

In other words, one third of them attributed more than half of their problems to the political situation.

Another 30.3 percent attributed 25 to 50 percent of their business problems to it; 18.7 percent said the political situation has created less than 25 percent of their problems.

Of those polled, 6.6 percent attributed 100 percent of their problems and 10 percent attributed more than 75 percent of their problems to the political situation.

Sanctions

As for possible U.S. sanctions against Colombia, 30.6 percent of those polled think that such measures would affect their business.

The mining would be the most affected; of those who voiced concern over the consequences of such sanctions, 46.7 percent are from this sector. In general terms, more than 20 percent of industrialists in other sectors of the national economy believe they would be affected by possible sanctions imposed by the country to the north.

Of the businessmen polled, 33.8 percent said they could be affected; 31.7 percent of those in the industry sector said the same; 28.6 percent of those in agriculture think they would also be affected, and 25.5 percent of those in the financial sector also voiced fears, and finally, 22.2 percent of those in construction said the same thing.

Colombia: Business Groups View Political Situation
96GEO075A Santa Fe de Bogota EL TIEMPO
in Spanish 13 Jul 96

[Received via Internet]

[FBIS Translated Text] The production business associations have called for good judgment in dealing with the current difficult political situation, and warned of the detrimental effects that the growing polarization of Colombian society could bring.

They asked President Samper "not to skirt the issue any longer," and to make a decision for the good of the country, without giving priority to his personal situation. They maintain their position concerning the necessity for the president's departure.

They stressed that, at the present time, restraint should be applied, and dialogue sought with the United States, on a serious, frank level, with dignity, and without underestimating the decisions being made by Bill Clinton's government.

The National Council of Business Associations met for over four hours yesterday to analyze the economic situation, and the U.S. Government's decision to cancel the Colombian president's visa.

The business owners announced that they will reactivate their visits to the United States to meet with officials from various sectors of society, in order to seek alternatives to the crisis. Asocolflores [Colombian Association of Flower Exporters] is already planning a mission that may possibly leave within the next few days.

This coming week, the Council will meet with the government's economic team to analyze the current situation and to seek solutions to the crisis.

Good Judgment Lacking

The most forceful spokesman was the president of the National Association of Industrialists (ANDI), Luis Carlos Villegas, who considers it very serious "that good judgment is being lost."

The industrial director claimed it to be disturbing that every criticism currently being made of the president is viewed as serving the United States or the drug traffickers.

He rejected the assertions to the effect that the criticism of the president is coming from the rich, and the support for him from those who are not rich. Hence, he emphasized that there is a need to view and deal with everything in its just proportions.

He called for a serious handling of the international policy and a change in the language of certain officials, beginning with the president himself, and Interior Minister Horacio Serpa, commenting that the latter would do better to devote his time to performing his job. He remarked: "As he himself told us on one occasion, the shoemaker should stick to his last."

In the association director's opinion, instead of reaching a solution, the ungovernability problem is becoming worse.

Villegas urged the president to analyze the costs that his remaining in Narino House could bring upon the country.

The president of the Association of Colombian Farmers (SAC), Juan Manuel Ospina, for his part, claimed that it was necessary to consider the country's present reality in its just proportions.

Ospina stressed that the decision to revoke Samper's visa is another factor in the current critical situation, maintaining that the House of Representatives' verdict failed to consolidate the conditions required for governability.

The association's leader observed that the crisis of confidence is greater now, and that the president should "consider the country's future with a lofty sense of patriotism."

He added that the support that the president receives in the public square during working hours does not mean that there is confidence regarding governability.

According to the SAC director, the most serious thing that is happening is that the crisis is not only present in the country, but has now extended abroad.

Urgently Needed Dialogue

In the view of the president of the Colombian Association of Flower Exporters, Maria Isabel Patino, the situation is both critical and complex.

In her opinion, the first thing that should be done is to seek means for preventing the continuation of the problems, because otherwise there will be negative consequences for the country.

She noted: "The government must return to Washington and seek dialogue, without necessarily acting obsequiously."

Meanwhile, the president of the National Federation of Businessmen (Fenalco), Sabas Pretelt de la Vega, said that the decision to cancel the president's visa was painful for the country as well as for the chief executive himself."

He indicated that it was to some extent a kind of punishment, warranting the expectation that penalties of a commercial nature could follow now.

He claimed that the present situation is generating uneasiness and causing an increase in the ungovernable areas," remarking: "We were not expecting such a decision."

Sabas stressed that, if a change in the situation is not sought, the economy could head toward a recession.

He recommended that the government initiate a diplomatic offensive to seek a solution for the critical situation.

The president of the Banking and Financial Institutions Association (Asobancaria), Cesar Gonzalez, regarded the United States Government's decision as an act of aggression.

He claimed it to be a sanction with a symbolic significance, carrying great weight in the relations between the two countries.

According to Gonzalez, there is a need for the two governments to explain to the public the conditions required for the bilateral relations to become normalized.

Colombia: 50 EPL Rebels Surrender to Paramilitary Group

PA1807052696 Madrid EFE in Spanish
0143 GMT 18 Jul 96

[FBIS Translated Text] Medellin (Colombia), 17 Jul (EFE) — The Medellin media informed today that 50 dissident guerrillas from the dissolved Popular Liberation Army (EPL) turned themselves in to a paramilitary group that is operating in northwestern Colombia.

According to Emisoras Caracol Network, the rebels' surrender took place in Riosucio, a town located in the western, jungle-covered department of Choco.

The guerrillas were members of the Pedro Leon Arboleda Front, a dissident wing of the EPL, an armed group that demobilized at the beginning of the decade following the signature of a peace agreement with the Colombian Government.

The radio station explained that the subversives decided to turn themselves in after their command made the decision to have them join a front of the Revolutionary Armed Forces of Colombia (FARC) operating in the banana region of Uraba.

According to Emisoras Caracol Network, the decision was made by Francisco Caraballo, top leader of the dissident group who is under arrest in a maximum security prison in the northwestern part of the country.

An infiltration operation also contributed to the rebels' surrender, added the radio station, which cited paramilitary leader Carlos Castano as the source.

Castano is the brother of Fidel Castano, known as "Rambo," who is the founder of the so-called Peasant Self-Defense Units of Cordoba and Uraba, which were created to fight communist guerrillas operating in these areas in northwestern Colombia.

This extreme rightwing groups has been accused of several massacres perpetrated in the last few years in the agro-industrial region of Uraba, located in Antioquia Department, of which Medellin is the capital.

The dissident group turned itself in with all its weapons and equipment, and remained at the orders of the paramilitary chief, the sources added.

Colombia: Military Seizes FARC Documents, Arrest Leader

PA1707235696 Santa Fe de Bogota EL TIEMPO
in Spanish 15 Jul 96

[Received via Internet]

[FBIS Translated Text] During the so-called "Operation Conquest II," the military forces seized several accounting ledgers, agendas, and diaries in which FARC [Revolutionary Armed Forces of Colombia] leaders kept track of the guerrillas' huge accounts stemming from the cocaine business.

On 1 July, when the Army started carrying out the second phase of "Operation Conquest" in the Caqueta jungle to cut the "umbilical cord" between the Colombian guerrillas and the cocaine business, a desperate action

by the FARC proved that the authorities are attacking the group on a vital area.

Members of the 14th Front in Remolinos, Cartagena del Chaira welcomed the members of the 1st Special Forces Battalion and the 12th Brigade who were leading the operations with bursts of machine-gun and rifle fire.

The Army's ability to respond deep into the jungle was quick and effective: a rebel died and two others were captured during the clash with members of this front. Yesid Arteta Davila, who is also known as "Joaquin Posada" and whom the authorities believe is the FARC's main financial chief in this area of Colombia, was among those who were arrested.

In addition, along with the guerrilla leader, Arteta's escort, Oscar Hernandez Acosta, alias "Reinaldo," also fell, and another rebel identified with the alias "Joaquin Matallana," who was in charge of communications, according to the Army, died.

According to the Army, Arteta, who is an attorney and sociologist, is a prominent individual within the FARC, because he has an academic background and is one of the best strategists the FARC currently has. He "sent" resources, which were the product of the control over the territory and coca production in Caqueta and Guaviare, to the FARC secretariat.

"Joaquin Posada," who graduated from Barranquilla's Atlantic University, was the 29th Front's leader until last year. This front operates in the area of Narino, where he led actions against the Army, and devoted himself to financial activities linked to coca crops and laboratories.

Because of his experience and administrative expertise in financing illegal crops, the FARC secretariat ordered his transfer to the southern bloc led by "Mono Jojoy." When Arteta was arrested, he was the leader of the 14th Front, which is made up by approximately 80 men who fully devote themselves to obtaining resources for the southern bloc.

The Cali Regional Prosecutor's Office was seeking the subversive chief, who is charged with murder with terrorist intention, rebellion, and aggravated theft. Likewise, the Meta Delegate Prosecutor's Office issued an arrest warrant against him on 19 February for the crime of rebellion.

An Army spokesman reported that Arteta's capture took place after he was wounded in combat. "The rebel," the spokesman explained, "disguised himself in the town by putting on a sweater, and when he was getting first aid treatment in a Remolino drug store, he was located and arrested. Arteta was wearing an earring and had shaved his moustache."

The most significant result of Arteta's capture for the Army was the seizure of photographs, agendas, diaries, and accounting ledgers, which prove the links the 14th Front had with coca crops and cocaine preparation.

The Army gave the Caqueta Regional Prosecutor's Office a copy of the accounting ledger seized from the rebel leader, and filed the respective charges. The ledger, which is perhaps the most significant evidence seized by the Army, has notes on the control of the network of small and large growers of coca leaves.

One column lists the names of people who pay taxes to the FARC. "Usually, they are middlemen who purchase drugs to market them," a noncommissioned officer who participated in the operation affirmed. Another column lists the price of the gram of cocaine according to its quality, and the third column lists the amount growers must pay to the FARC for each gram of cocaine they produce. According to what is written in the accounting ledger, taxes on each gram of cocaine range from 850 to 1,050 pesos.

According to the amounts listed in the aforementioned accounting ledger, the Army estimated that the members of the 14th Front receive more than 1.266 billion pesos a week. In one year, the resources exceed 60 billion pesos.

The Army said that other types of revenues, such as taxes levied on peasants for each hectare grown and for the landing and takeoff [decolaje] of major drug traffickers' planes, taxes on sanctions to the region's residents, kidnapping ransoms, and the collection of "protection" money, are not included in the accounting ledger.

The Army also seized from the guerrilla leader copies of IOU's of "merchandise" bought by buyers who purchase cocaine crystals or base, and who end up owing them money.

Among the documents seized from "Joaquin Matallana," the Army found a list of weapons and a bunch of orders from the FARC secretariat to participate in peasant marches and a regional strike over the authorities' operations and fumigation of glyphosate.

According to Army spokesmen, approximately 300 people were captured during "Operation Conquest II." "Some of them have been released, because they are minors, are too old, or are women who are heads of household," they added.

For these Army spokesmen, it is evident that the FARC is exercising what it calls a "co-government" in Caguan, by fulfilling duties that pertain only to authorities, to

fully control the activities of drug growers and cocaine base producers.

Colombia: 2 Cocaine Labs in Caqueta Department Dismantled

PA1607030696 Santa Fe de Bogota Inravisión
Television Cadena 1 in Spanish 0000 GMT 13 Jul 96

[Report by Marta Rojas; from the "24 Hours Newscast"]

[FBIS Translated Text] The military have dismantled a network of narcoguerrillas who worked, in the middle of the Caqueta jungle, using washing machines. Here in the Guamo Jurisdiction, in the middle of the jungle, the military forces even found washing machines while dismantling two cocaine-processing laboratories.

[Begin General Nestor Ramirez, commander of the 12th Army Brigade, recording] This laboratory had a capacity to produce approximately 1,000 kilos weekly. I believe the kilo or pound is sold for 1.050 million pesos. [end recording]

The military began dismantling the ring of narcoguerrillas of the FARC [Revolutionary Armed Forces of Colombia] operating along the Caqueta and Caguan Rivers. On the banks of the latter and as part of the Operation Conquista, the military seized microwave ovens, power saws, bombs, drying lamps, power generators, and numerous communication radios.

[Begin General Norberto Andrada, Army inspector general, recording] As Army inspector general, I have come here to verify these operations, to verify the procedures, to verify the results. [end recording]

Amid the inclement jungle weather, the military provided documents to the Prosecutor General's Office to determine who the owners of this cocaine shipment, which is identified with a star and the name Fortuna, are. Among other names currently under investigation are Jose Antonio Aroca and Leonidas Cortes.

Colombia: Attacks by Paramilitary Groups Worsen in Antioquia

PA1707011796 Santa Fe de Bogota EL TIEMPO
in Spanish 16 Jul 96

[Received via Internet]

[FBIS Translated Text] Medellin — Unidentified armed groups that are massacring peasants, under the pretext that the latter are collaborating with the guerrillas, are roaming the towns of Antioquia, where there was never a sign of a paramilitary presence.

Proof of this are the attacks that recently left 17 dead peasants in Mutata, in the Antioquian Uraba; Betania, in the southwest; and San Roque, in the northeast.

Even though officials from the various municipal jurisdictions have refrained from discussing the incidents for fear of retaliations by the armed groups, some of them concede that this acts of violence are proof of the advance by the paramilitary groups in the department, and the extent of the conflict with the guerrillas.

In San Roque, residents have accused the paramilitary groups of slaying six persons in the corregimiento of Providencia on Saturday.

"Since January, the situation has become very difficult. In the municipal capital, everything is quiet, but there is an atmosphere of uncertainty in the corregimientos of Providencia, Cristales and San Jose del Nus," an unidentified official indicated.

The only thing the residents of this community want is that outsiders recognize their neutrality within this conflict staged by the guerrillas and the paramilitary groups.

At a Regional Security Council held there presided over by Governor Alvaro Uribe Velez, the community demanded more effective results from the authorities regarding the control of public order, and the promotion and respect of human rights.

The presence of paramilitary groups is also evident in Betania, but as in San Roque, government spokesmen have chosen to remain silent. Four farmers were killed at a roadblock during the attack on the Medialuna road.

An official said: "For a month, roadblocks and disrupting incidents have taken place in the municipality. Persons are first held up and later, they appear dead."

The slaying of the four peasants was blamed on the paramilitary groups and it has been suggested that the grenade that blew up at a local coffee shop on Saturday, leaving 18 injured was detonated by guerrillas. Yesterday, three of the injured were still receiving medical attention.

Meanwhile, Mutata's civilian and military authorities have conceded that over the past three months, clashes between paramilitary groups and guerrillas have intensified in this locality of southern Uraba.

Despite this, Mutata residents still have confidence in the "Campaign for Neutrality," inaugurated eight days ago to distinguish themselves as the first Uraba residents in stating their position to remain on the sidelines of the conflicts.

Colombia: Ex-Police Director Receives 5-Year Jail Sentence

PA1807132196 Santa Fe de Bogota Inravisión Television Cadena 1 in Spanish 0000 GMT 18 Jul 96

[Report by J.J. Pinilla; from the "24 Hours Newscast"; monitored from relay by Lima Sistema Unido de Retransmisión Television]

[FBIS Translated Text] Good evening, attention please. For the first time in the country's recent history, a former general has been sentenced for illegal enrichment. He is General Jose Guillermo Medina Sanchez, former director of the National Police, who has been sentenced to over four years in prison by the Supreme Court of Justice.

In the next few minutes the Supreme Court of Justice will officially announce this sentence and will also issue an arrest warrant for the detention of the former officer. The sentence must be served in jail.

The story began about eight years ago when TIME magazine disclosed details of his connections with the Medellin cartel headed at the time by Pablo Escobar Gaviria.

Colombia: Spokesman Denies Group Not Supporting Samper

PA1807023796 Santa Fe de Bogota EL TIEMPO in Spanish 16 Jul 96

[Received via Internet]

[FBIS Translated Text] "There was no rift, attempt to break up, or a discussion on a likely rift." With this phrase, Carlos Castillo, Narino Palace official spokesman, has downplayed media reports that the Santo Domingo Group is withdrawing its support for President Ernesto Samper.

Castillo said this at the end of a private luncheon between the president and Augusto Lopez Valencia, president of the Bavaria Brewery, which is one of the county's largest conglomerates.

At the news conference, the government official also referred to EL TIEMPO's editorial suggesting the resignation of the chief of state, and pointed out that this suggestion "was not peremptory."

"The president's response is sufficiently clear; it leaves no doubt that, if there ever was a dilemma, this dilemma no longer exists and that he has decided, as he indeed should have, to remain as president of the Republic."

The government also reported that it is conducting investigations to determine if there is a legal proceeding against Samper in the United States. Castillo told

reporters that, "regarding this issue, we have as much information as you do; the only thing we have is the news reports. We are attempting to find out what is going on, but we have no information on this."

As for the possibility of proposing a third option [tercería] to keep Vice President Humberto de la Calle from taking power in case the president resigns, the government spokesman affirmed that "the president" has not contemplated this situation "because it is an element that was not included in the Constitution."

The luncheon Samper had with Lopez lasted one hour and 45 minutes. The Bavaria Brewery president made no statements to reporters, who were "fooled" by the use of two cars with tinted windows that left Narino Palace through different gates.

According to Castillo, who explained that he was not invited to the luncheon, the economic situation, Samper's revoked visa, and the latest events stemming from this latest event were the issues discussed during the luncheon.

A Santo Domingo Group source stressed that Lopez did not attend the luncheon to ask the president to resign or to support him, because this conglomerate "is not a political party," adding that the Bavaria Brewery president's visit was made as a spokesman for a business group to talk about the seriousness of the current situation and examine solutions to it. "It was a frank and straightforward dialogue," the source pointed out.

According to Castillo, the conflict between Colombia and U.S. airlines was not discussed either.

Visits Galore

President Samper also met with representatives of the Colombian Bishops Conference and the Inter-Business Union, which groups 22 representatives of the business sector.

Inter-Business Union spokesman Saulo Arboleda voiced his concern about the country's economic slowdown, and said that the issue of Samper's resignation was not discussed during the meeting.

Around 1700 hours, Bishops Conference President Monsignor Alberto Giraldo arrived at Narino Palace to relay a protocol greeting to President Samper.

Upon leaving, Msgr. Giraldo hurried to say that the elephant issue was not discussed during his visit to the president. However, the latter voiced the Church's interest in participating in the national reconciliation proposal as part of its pastoral activities.

Samper will officially present the national reconciliation agenda on 20 July during the act held to open Congress sessions.

Colombia: Government To 'Reorient' Employment Plan

96SM0440A Santa Fe de Bogota EL ESPECTADOR
in Spanish 12 Jul 96

[Received via Internet]

[FBIS Translated Text] With a view toward injecting more energy into the plan for more and better employment, the government has decided to reorient its program for the next two years.

Women, families displaced by violence, peasant youth, and high-school graduates will be the targets of the Samper administration's employment policy during 1997 and 1998.

With the designation "Special Programs for Generation of Employment," the government's plan seeks to provide for that vulnerable population. This announcement was made yesterday by the labor minister, Orlando Obregon.

During the next two years, advice will be given to women in classes 1, 2, and 3, enabling them to form 550 productive units in the manufacturing area. In this way, it is planned to generate 5,000 direct jobs.

The investment is estimated at 20 billion pesos. The financing will be furnished through the agreement between the government and the United Nations Industrial Development Organization (UNIDO).

Joint Enterprises

The program for families displaced by violence is aimed at training and advising male and female heads of household (27,500) in the development and execution of socioeconomic projects, until it succeeds in creating approximately 100 joint enterprises.

The coverage will be provided in the 100 municipalities in which violence has had a major impact. The idea of the plan, which will be implemented between 1997 and the year 2000, is to create 47,500 direct jobs. The estimated investment is over 41 billion pesos.

The aforementioned project, which will be financed with IDB funds, among others, is being evaluated in the National Planning agency. On the other hand, the goal is to train and advise 3,000 peasant youth and 2,000 young high-school graduates. With the former, it is intended to set up 500 associative enterprises; and, with the latter, to establish 400 joint enterprise units for production, services, and marketing.

A total of 15 billion pesos will be allocated for the first program, and 10 billion for the latter, with funds from the national budget and with international backing.

As for the labor mediation facilities promoted by the SENA [National Apprenticeship Service], it was reported that they are currently serving 10 of the country's capitals, and that it is planned to extend the service to three localities in Bogota.

Colombia: Central Bank Says No Drop in Interest Rates

96SM0436A Santa Fe de Bogota EL ESPECTADOR
in Spanish 11 Jul 96

[FBIS Translated Text] At last the Central Bank Board of Directors has confessed it publicly: interest rates are not going to fall.

"Additional public spending cuts and a larger reduction in inflation are necessary to achieve a reduction in interest rates," Central Bank Codirector Roberto Junguito Bonnet said yesterday.

This position elicited immediate reaction from the president of the Colombian Banking Association [Asobancaria] Cesar Gonzalez Munoz, who said "we cannot expect lower interest rates as long as there is no change in the thinking of the Central Bank Board; the management of [rates] over the short term is up to them."

In his view, the Central Bank's approach is going to further complicate the situation with regard to investment and production.

He stressed that it is indispensable to make a judgement regarding the achievements and the cost of monetary policy applied by the Central Bank over the past four years.

"In 1997 we are going to be weaker," he observed.

The banking sector spokesman, who participated in the [EL ESPECTADOR-sponsored] forum reiterated that it is time for the Central Bank to explain whether it wants the economy to enter into a period of clear recession.

Without Targets

The codirector of the Central Bank, Roberto Junguito, said that the bank board has no targets with regard to interest rates.

He said that the uncertainty caused by the political crisis has doubtless influenced the decline in investment.

He explained that there is less demand for liquidity due to the slowing down of the economy.

However, he emphasized that a substantial reduction in interest rates would cause capital flight such as occurred in Mexico. Cutting spending would allow some room to reduce monetary restrictions and lower rates.

1996, Far From a Shining Year for the Bank

In terms of profitability, the balance of the financial system in 1996 will not be brilliant. Not even in comparison with 1995, a year in which results were below those of previous years.

The growth of the portfolio will fall 23 percent this year.

This situation was explained yesterday by the president of Asobancaria Cesar Gonzalez.

"Under current circumstances, where a series of events are converging—such as the slowing down of the economy, a difficult situation for many sectors of production, a restrictive monetary policy, high interest rates, and a complex political environment—it is only natural that there would be a drop in the variables of the financial sector," he said.

Colombia: Local Internet Providers' Strategies Viewed

PAJ807022696 Santa Fe de Bogota EL TIEMPO in Spanish 15 Jul 96

[Received via Internet]

[FBIS Translated Text] The possibility of unlimited connection time and a drop in Internet access fees from Colombia are some of the strategies that service providers are using to attract more users. A full-page advertisement in EL TIEMPO on 8 July was the first skirmish in the upcoming "price war" for Internet service access.

With that announcement, the Impsat company inaugurated its service connecting the public for unlimited time (24 hours a day), a privilege enjoyed up to now only by big businesses with a permanent (dedicated) telephone line.

In addition to the novelty of the service, the \$40 a month rate (slightly more than 40,000 pesos) represents a relief to the user's pocket because up to now, the cost to navigate through the web, at least one hour a day, was much higher than that.

For example, a firm such as Colomsat, whose commercial bait is not charging a subscription fee or monthly fees, but instead charges for actual use only, billed as high as \$9 an hour (nearly 10,000 pesos). This works out to a little more than four hours using Colomsat, and is worth the same as an entire month without limit with Impsat.

And what to say about online services (such as CompuServe) that may charge as much as 100,000 pesos for 20 hours of access?

Perhaps because of that, regardless of the effect of the Impsat announcement, the Andinet online system reduced its rate to \$30 a month (slightly more than 30,000 pesos) for unlimited access.

Thus, an aggressive price policy for Internet service has set in, which has placed all providers on alert. For this reason EL TIEMPO's section on computers Computadoras is studying the new offers, and the reactions of the remaining firms.

In the case of Impsat, its market entry should not cause any surprise. It is a firm with a technical infrastructure (in fact it provides channels to the Cetcol-InterRed network), with operations in Argentina, Colombia, Venezuela, Mexico, Ecuador, the United States, and four years experience in network data transmission.

Their initial Internet investment will be about 1.2 billion pesos, and will include 90 telephone lines, which could triple in a matter of weeks.

Impsat's decision to offer access to the worldwide computer network has to do with its expansion in Colombia. According to information supplied by the international firm Teleglobe, our country went from being virtually unknown in Internet matters in 1994, to become the world's number 47 position in the number of consultations over the network during 1995. In only a year Colombia became one of the four most frequent Internet user in Latin America.

Impsat rates are an initial \$30 connection payment, paid only once. The \$40 a month charge that follows is for unlimited time, and is charged to a credit card account.

Normally, payment is made for a year with automatic renewal, but monthly payments are also possible. According to Hernando Jaramillo, manager for the strategic development unit, users can pull out at any time with a 60-day advance warning.

As a further "incentive," the company will give away until October a three-hour net start-up course. For the time being, the service will be given only in Bogota, within a month in Medellin, and in Cali and Barranquilla in two months' time.

For businesses, there is the possibility of leasing a dedicated channel, but this costs about 3 million pesos a month.

The company's goal is to have 3,000 users by the end of the year, which is not so farfetched in view that according to inside information more than 800 calls

were received and more than 120 people signed up during the first two days.

Andinet's Response

Two days after Impsat began operations, Andinet on line released its new rate of \$30 a month for connecting to Internet, without any time limit.

Another \$30 initial subscription fee allows the use of a free mailbox to receive and send e-mail, with the option to add new addresses (regardless of size) with an additional cost of \$15 month per mailbox.

Andinet On-line Manager Carlos Aparicio explained that connection programs will be activated in the user's computer and students will receive a 30 percent discount. Likewise, payments in advance covering more than six months will receive discounts ranging from \$150 to \$660.

Andinet, which has 256 registered users and 32 access telephone lines, handles the average standard of 20 users per line. The problem with those companies offering unlimited time is that the time the user spends online increases and this reduces the possibility of others connecting on the first try.

That is why other Internet service providers have delayed the decision to offer the public a connection for unlimited time. With some skepticism, Colomsat Director Nivaldo Toledo says that "no business is able to offer this type of tariff and at the same time offer a good service... when planning the access node one should have a line for every 20 users to avoid congestion. When fixed price plans are instituted that rate should be dropped to four users per line."

Toledo, nevertheless, welcomed the appearance of new serious options, because this helps toward a massive use of Internet and establishes knowledge of the service. "We have little interest in maintaining 70 percent of a market of only 12,000 Internet users. Notice that in Chile, with 13 million inhabitants, already there are 70,000 users. That is why we are aiming for 100,000 users in 18 months, even if Colomsat ends up with 30 percent of the market share," Toledo said.

The thing is that the arrival of new net access providers has caused a drop in rates, which, nevertheless, are still above those in the international market. Undoubtedly, the winner in this "price war" and war of new services, is the consumer interested in navigating through cyberspace.

Ecuador

Ecuador: 'Routine' Military Exercises Near Border Begin

PY1707191896 Quito Voz de Los Andes in Spanish
1700 GMT 17 Jul 96

[FBIS Translated Text] The Ecuadoran Armed Forces began today routine military exercises in various areas near the Peruvian border. The exercises are being carried out in areas of El Oro, Loja, Guayas, Morona Santiago, Pastaza, and Napo under the leadership of Army Commander General Paco Moncayo.

The Ecuadoran Air Force and Navy are also taking part in the military exercises. On 16 July Gen. Paco Moncayo was named the future chairman of the Armed Forces Joint Command under the administration of President-elect Abdala Bucaram, who will be sworn in on 10 August.

Ecuadoran military officials recently called on the Peruvian media to be prudent and not to distort the exercises, which are routine exercises held in this country every year. Ecuador and Peru are engaged in a peace process after the military confrontation last year.

The military exercises are aimed at testing the Ecuadoran defense plans.

Ecuador: 'Routine' Peruvian Military Exercises Reported

PY1807010196 Quito Voz de Los Andes in Spanish
2300 GMT 17 Jul 96

[FBIS Translated Text] Ecuador and Peru are carrying out routine military exercises at their common border. The military observers mission was alerted to the exercises by the two countries.

By coincidence, the Peruvian Armed Forces are carrying out exercises similar to the ones being carried out by the Ecuadoran Armed Forces. The Peruvian exercises started on 11 July and will end on 25 July. The Peruvian exercises have been advertised to the Ecuador-Peru Military Observers Mission (MOMEPE) and to the Ecuadoran Government.

The military exercises of the two countries are being carried out in accordance with the MOMEPE security manual, said a source that was not identified.

Ecuador: Talks With Peru To Create Trust 'Mechanisms'

PY1707223996 Quito Voz de Los Andes in Spanish
1700 GMT 17 Jul 96

[FBIS Translated Text] Ecuadoran and Peruvian military representatives agreed after a two-day meeting in

Lima to set the basis to create mechanisms to encourage mutual trust.

The mechanism will contribute to open military purchases, and will strengthen the environment of security and stability between the two countries, according to Peruvian media.

Ecuadoran General Telmo Sandoval and his Peruvian counterpart Arturo Hernandez headed the meeting of the commission that was created after the agreement reached on 23 February 1996 by the foreign ministers of the two countries.

Hernandez said: We are happy with the progress made in relation to the instructions received from the Foreign Ministry and we are in high spirits for reaching real results. Sandoval said that the factors of mistrust will be eliminated in the future and that this is the only way to expect success in the peace process in the near future.

According to a communique released at the conclusion of the meeting, the two-day talk was held in an environment of cordiality and good will, and that another meeting will be held in Quito, where the first meeting was held.

Paraguay

Paraguay: Minister Admits Drug Transit, Seeks Cooperation

PY1707171396 Asuncion ABC COLOR in Spanish
17 Jul 96 p 13

[FBIS Translated Excerpt] Paraguayan Foreign Minister Ruben Dario Melgarejo Lanzoni on 16 July admitted that drugs transit Paraguay. Nevertheless, he wants more foreign cooperation to fight this scourge. The foreign minister trusts that the money laundering bill that the Paraguayan executive branch sent to Congress will partially repress drug trafficking. [passage omitted]

Asked about remarks made by U.S. Ambassador Robert Service on this issue, Melgarejo Lanzoni responded: "We have information and records that (Paraguay) is a transit country [for drugs]." Nevertheless, he emphasized that psychotropic substances or dangerous drugs have also been confiscated and burned in our country.

The foreign minister added that our country requires more foreign cooperation to repress drug trafficking, as the current Paraguayan Government wants to implement drug enforcement, but lacks the means required for effective drug enforcement. [passage omitted]

Paraguay: U.S. Envoy's Remarks on Drug Trafficking Viewed

PY1707173396 Asuncion NOTICIAS in Spanish
16 Jul 96 p 16

[Editorial: "Success Against Cocaine Is Also Necessary"]

[FBIS Translated Text] The drug problem in our country is more serious than the public probably believes. The United States has certified, for two consecutive years and under the warning that it was doing so only for political reasons, that Paraguay has cooperated with the drug enforcement effort. From a technical viewpoint, this type of certification means that we are in a special situation, very near the blacklist of countries that do not openly cooperate with the drug enforcement effort. Being on the blacklist entails hard U.S. economic sanctions.

Our country has claimed that it has destroyed a considerable number of hectares of marijuana fields, and that this reflects the efficient repression of drug trafficking. The key problem, however, is not marijuana but cocaine. We do not produce it, but our country is a transit site for cocaine on its way to the large consumption centers. However, the major success against marijuana — consumption of which has been made even more difficult in our country — is not sufficient, because there is a more important enemy that must be defeated.

The seriousness of the situation was reflected by U.S. Ambassador Robert Service on 15 July. In statements to the press, he said his diplomatic mission had information that there are people who freely engage in cocaine trafficking in this country. He added that the drug is sent from our country to Brazil, Bolivia, and Argentina. He did not say, however, how the drug is brought here, because there is no domestic production. This is serious, because ambassadors do not usually make this type of statement. They normally use diplomatic language, pondering words in order to avoid causing annoyance. This time, the U.S. Ambassador made it clear: Paraguay is a cocaine transit country in the region.

If the U.S. envoy had to make such a statement, we should presuppose that there is much concern and that the ambassador had to give a clear message on the subject.

Some encouraging facts can help us cope with this serious situation. First, the National Antinarcotics Secretariat has a new chief. He is a retired military officer with very good records, who can be expected to fulfill his delicate duties with efficiency, honesty and perseverance. On the other hand, a bill has been submitted

to Congress to repress money laundering, a criminal activity that is supplemental to drug trafficking and that operates like a source of support, because it allows the large fortune made by this infamous business to join the normal financial system. It is very important to approve this bill as soon as possible, in order to have a control mechanism to hinder drug trafficking.

Cocaine poses an immediate challenge. The circuit of cocaine in our country must be cut. It is not a matter of groping in the dark, because Ambassador Service said that names are available. The point is to use this information and to try to succeed also in the fight against this drug. At the same time, it is necessary to get ready to enforce the future law against money laundering.

**Paraguay: Communique 'Regrets' U.S.
Cancellation of Visa**

*PY1707231896 Asuncion ULTIMA HORA in Spanish
17 Jul 96 p 16*

[FBIS Translated Excerpt] Paraguay has decided to support the contents of the Rio Group communique and regrets the U.S. Government decision to prohibit Colombian President Ernesto Samper from entering the United States indefinitely.

"The Paraguayan Foreign Ministry supports the Rio Group position. The communique issued by the group contains the position of all group members, and Paraguay belongs to it in its own right," Foreign Ministry Spokesman Guillermo Yaluff said this morning.

The Rio Group communique was released by the Bolivian Foreign Ministry, which acts as the group's pro tempore secretariat.

The communique says that Rio Group member countries regret and express their deep concern for the decision adopted by the U.S. Government to cancel the visa of the constitutional Colombian president. [passage omitted]

Bolivian Ambassador to Paraguay Eloy Avila Alberdi, a diplomat with links with the Rio Group pro tempore secretariat, expressed "the group's concern for preserving the Latin American nation's integrity."

Avila said the principle of self determination establishes that the peoples of member countries must decide whether their president's behavior is legal. A third country should never do this.

The ambassador said the Rio Group measure does not represent support for President Ernesto Samper. It is an expression of support for Colombia's institutionalized political system. [passage omitted]

The U.S. interference in Colombian internal affairs has reached such an intolerable point that the United States is currently studying the possibility of opening a political trial against Samper in the United States, in total violation of international public laws.

Paraguay: General Oviedo Interviewed
*96SM0435A Buenos Aires CLARIN in Spanish
30 Jun 96 pp 30-31*

[Interview with former General Lino Oviedo by correspondent Marcelo Cantelmi at a Paraguayan Army barracks: "Oviedo: President Wasmosy Is Not Going To Finish His Term of Office. I Guarantee It"; date not given]

[FBIS Translated Excerpts] [Passage omitted] *An exclusive interview from prison with the Paraguayan rebel general.*

Asuncion (special correspondent)—If there is anything that characterizes Paraguayan General Lino Oviedo, it is his way of speaking, directly and without nuances. He bluntly calls President Wasmosy "corrupt" and a "coward," and says that the chief of state is not going to finish his term of office and, now converted into a politician, he is convinced that he will win the 1998 elections.

Arrested almost two weeks ago on charges of revolt and rebellion during the crisis of 22-23 April 1996, which caused his resignation as commander of the Army and his retirement, he is confined in a place without barred windows or doors. It is a small military unit 28 kilometers from Asuncion, where he has a couple of rooms, the use of an office, and two cellular telephones with which to maintain contact with his political movement, "Ethical Coloradism."

A chapel stands at the center of the barracks. There, wearing a leather jacket and black trousers, Oviedo received CLARIN for the first interview he has granted to a foreign news medium. It is the first interview conducted in the place where he is held prisoner, and is the result of tricking the unit's commander.

"They do not have to find out that you are a journalist. I could have problems," he comments when he receives this correspondent.

[Cantelmi] But you already have serious problems.

[Oviedo] It is engineer Wasmosy who has the problems. I guarantee that he is not going to finish his term of office (in 1998). Engineer Wasmosy became president because we supported him and now I am not going to support him and he is going to cease being president. He is going to resign and that is imminent.

[Cantelmi] Why will he resign?

[Oviedo] He is an inept and corrupt president and a coward. He is the first president who, there supposedly being a military crisis, should have gone to his office of commander in chief instead of running and hiding in the United States Embassy.

[Cantelmi] Do you believe that the elections will be moved forward?

[Oviedo] If Wasmosy resigns before 15 August (the anniversary of his inauguration in 1993), there have to be elections. If he resigns afterward, Vice President Angel Seifert moves up, which is what I have to negotiate this week and the next with the political leaders. Because now I am a politician.

[Cantelmi] Do you prefer Seifert to Wasmosy?

[Oviedo] Seifert is going to be president if I agree. I am talking to him. If he accepts my conditions, I am going to make him president of the country. If he does not accept my conditions, he is not going to be president.

[Cantelmi] What conditions?

[Oviedo] The conditions cannot be made public because they have not yet been agreed to.

[Cantelmi] And what will happen to Wasmosy?

[Oviedo] Engineer Wasmosy is going to jail. Not a place like the one I am in now. He is going to a prison, like Carlos Andres Perez (Venezuelan ex-president), and Wasmosy is more corrupt than Perez.

[Cantelmi] What caused the rebellion?

[Oviedo] There was neither a rebellion nor a coup. Wasmosy called me to his office on 22 April to ask for an self-imposed coup [autogolpe], a Fujimorazo or a Wasmosazo, because he said he could not govern because of Congress, because they did not pass his programs, and each proposed law cost him a lot of money. He said he wanted the self-imposed coup or that I should take charge of the government, as General Pinochet did in Chile.

[Cantelmi] And what did you tell him?

[Oviedo] I refused. I am a de facto democrat.

[Cantelmi] You say you did not rebel, but there were ambassadors, communiques, that said the opposite....

[Oviedo] After a meeting at the Army command with engineer Wasmosy on 22 April, in which the president brought a paper with the order for my removal, I went home to my wife and children and stayed there the entire time. That is when the story started that I was preparing a coup.

[Cantelmi] But you had opportunities to deny it.

[Oviedo] The rumors began when Wasmosy's private secretary at the time and current foreign minister, Ruben Melgarejo, a false brother-in-law of the president because he has taken up with the sister, went to see the American ambassador, Robert Service, and told him that General Oviedo was preparing a coup. The embassy then issued a communique denouncing the rebellion.

[Cantelmi] Were you willing to leave the command of the Army?

[Oviedo] On 24 April I turned over command punctually. The ceremony was attended by the secretary general of the OAS, Cesar Gaviria, Wasmosy, and ambassadors.

[Cantelmi] It was said that they tricked you and that they offered you a cabinet position to persuade you to retire.

[Oviedo] Look, in the 15 days since my retirement my group, the National Union of Ethical Colorados, signed up 97,000 members. I have support. Wasmosy was worried that I was not behind his political and economic program, because I will never whitewash the enormous corruption that exists in this country.

[Cantelmi] It was also said that the two of you fought over a bridge that was going to be built between Ciudad del Este and Foz de Iguazu.

[Oviedo] He complained to me that I was not helping him with the construction that was contracted by his companies. Look: all national and binational projects are carried out by his companies. They have been doing it for 30 years. I am not part of the corruption program of President Wasmosy and his businessman acolytes. This country has been impoverished too long by those people.

[Box, p 31]

"Stroessner Was a Great Patriot"

Asuncion (special correspondent)—According to General Lino Oviedo, ex-dictator Alfredo Stroessner, who ruled Paraguay with an iron fist for 34 years, is not as bad as he is made out, and Oviedo even says he was a patriot.

[Cantelmi] You would agree with Stroessner leaving his exile in Brasilia and returning to Paraguay?

[Oviedo] He says he wants to come to Paraguay, but he does not trust the justice system. Look at my case. I am one of the leading men in this democracy and I am being held without being given the opportunity to make

a declaration. They are persecuting me because I do not tolerate corrupt leaders of the country, who leave the people hungry.

[Cantelmi] But the corruption you denounce began before the Wasmosy government, during the Stroessner dictatorship.

[Oviedo] Yes, the corruption dated from the Stroessner government. Wasmosy was a business partner of Gustavo Stroessner (the oldest son) and betrayed him, as well as Freddy Stroessner (the younger son). Wasmosy betrays everyone he meets.

[Cantelmi] Do you not believe that the dictatorship was a corrupt regime also?

[Oviedo] The relationship of the corruption that existed then with what exists now is about two percent.

[Cantelmi] You collaborated in Stroessner's overthrow, but it seems you still defend him.

[Oviedo] In his early phase he was a great patriot who created much infrastructure, but he did not keep up with the times.

[Cantelmi] What do you mean?

[Oviedo] It is the same as with Fidel Castro in Cuba. If he had surrounded himself with persons of democratic mentality during the last years of his government he would have passed into history. But he did not bring himself up to date. At the beginning of his government, Stroessner was the prescription of democratic suitability.

[Cantelmi] He ceased to be a patriot later?

[Oviedo] And...why not say it, let us say that he became vain with power, he became vain.

[Cantelmi] The dictatorship closed the economy and was against private enterprise. Is that your position?

[Oviedo] You see, I do not agree with President Wasmosy and other presidents who want to privatize state enterprises for ridiculous prices. They want state companies to fail so that they can buy them themselves.

[Box, p 31]

A Complicated Business: How We Gained Access to the Prison

Anuncion (special correspondent)—"I will receive you, but I do not know how you will get in to do the interview. They have forbidden me to do any."

To speak with Lino Oviedo where he is being held was a long and complicated business, which began with his associates in Buenos Aires. The Ministry of Justice had strictly forbidden the granting of interviews at the

military unit where he is being held, unless express authorization was requested, which would probably be denied.

It was finally agreed that I would enter as one of his followers who line up in front of the barracks to visit him.

One problem was how to bring in cameras and other articles. It was decided to bring in a miniature voice recorder and a small family-type camera with super sensitive film to avoid using flash bulbs and causing suspicion.

As it was also necessary to get by the register at the entrance of the barracks, the final step was to find an active duty officer, or a retired one of senior rank and close to Oviedo whose rank would give him access to the unit. Finally, and after a long search, a colonel turned up who agreed to hide the recorder and camera in his jacket and who accompanied the journalist to the place where the interview took place.

Peru

Peru: Withdrawal of Samper's Visa 'Unacceptable'
PY1707152396 Lima LA REPUBLICA in Spanish
14 Jul 96 p 9

[FBIS Translated Text] Peru has joined the proposal of the Rio Group Pro Tempore Secretariat — which is now chaired by Bolivia — to term unacceptable the U.S. Administration's decision to withdraw Colombian President Ernesto Samper's tourist visa.

Peru has also sent a proposal which should be taken into consideration in the document the 14 member countries of the Rio Group will sign in a matter of hours. This document will clearly establish the group's rejection of illegal drug trafficking.

According to what has been learned, the fax of Consultation and Proposal for a statement by the Pro Tempore Secretariat arrived at the Foreign Ministry on the evening of 10 July and was answered at noon on 11 July.

In that document the 14 member countries state that the U.S. Administration measure objects to the Colombian internal legal jurisdiction, on disregarding the investigation process which ended with the acquittal of the Colombian president.

Peru has expressed its support for that document but asked that another paragraph be added in which the Rio Group reaffirms its position of rejection of illegal drug trafficking and the mechanisms drug traffickers use

to pervert societies and to destabilize their government officials.

According to procedures, after sending the proposal to all member countries and obtaining their responses, the Pro Tempore Secretariat makes a new report and submits it for a new consultation.

Two years ago Peru proposed — and was accepted by the Rio Group — a statement of solidarity with President Samper due to the smear campaign against him by drug-trafficking rings in their effort to destabilize the Colombian Government.

Peru: Visa Cancellation Said 'Blatant Interventionism'

PY1807024096 Lima LA REPUBLICA in Spanish
13 Jul 96 p 18

[Editorial: "An Unacceptable Measure"]

[FBIS Translated Text] Exactly one month after the Colombian House of Representatives exonerated President Ernesto Samper from all charges leveled against him in connection with the funding of his election campaign with drug money on the grounds that there was no evidence to indicate that the head of state knew about this, the U.S. Department of State has canceled the Colombian president's American visa.

This is an unprecedented measure — with the exception of the case involving former Austrian President Kurt Waldheim, who was accused of having concealed his Nazi past — which has placed relations between Washington and Bogota at their worst level in nearly a century (since the U.S. active participation in the events that led Panama to declare its independence from Colombia) and has brought them to the brink of rupture.

The cancellation of Mr. Samper's U.S. visa is the culmination of what can very well be labelled as an escalation [preceding word published in bold face] geared to conveying to the Colombian head of state the Clinton Administration's ill-humor over the denouement of the impeachment procedures Congress was conducting against the Colombian president.

In discussing this issue 10 days ago (LA REPUBLICA 2 July edition), we enumerated a series of steps taken by Washington to bring pressure to bear on Samper, including the request filed by U.S. Attorney General Janet Reno before the Colombian Government for the extradition of four top leaders of the Medellin Cartel.

A document handwritten by Mr. [Myles] Frechette, U.S. ambassador to Colombia, explicitly recommending a campaign to harass President Samper — which was leaked to THE WASHINGTON POST — should

be interpreted along the same aggressive lines. Later Washington clarified in vain that these measures had been discarded.

On that occasion, we termed that document "blatant interventionism" and now in light of the cancellation of Mr. Samper's entry visa we must reiterate what we said then. Although the United States is free to allow or refuse entry to its territory to whoever it chooses, it is obvious that what the United States is seeking by canceling President Samper's entry visa is to destabilize him.

This is inadmissible and constitutes a most serious intervention in the internal affairs of Colombia because — even if it does not like it — the United States has the obligation of accepting the Colombian Congress' decision on Mr. Samper's case and cannot go beyond that, plunging both countries into a diplomatic confrontation. Incidentally, the Colombian Cabinet has forcefully rejected the U.S. measure and so has the Colombian public, 62 percent of which condemned it. President Samper himself has announced that he will challenge the prohibition by travelling to the United States to address the UN General Assembly [UNGA] in order to expound Colombia's stance on this issue.

Nevertheless, one can wonder about the merit of such challenge since the United Nations is protected by international treaties which preclude Washington from preventing the participation of a head of state in the UNGA. The United States has respected this even in the case of Fidel Castro.

President Clinton's spokesman has stated that Washington expects reactions from the governments of the region supporting this decision. Frankly, we doubt that this will come to pass. What is predictable, rather, is that the countries of the region will either close ranks and support the Colombian head of state or — as has happened with the Central American presidents — they will remain timidly silent.

The fact of the matter is that there is a long-established practice of interventionism in the Americas by the United States, a tradition which, as has always been claimed, was based on principles, but which in practice only defended the interests of U.S. companies. This is why acquiescing in what has been done to President Samper is tantamount to giving Washington the green light to sooner or later act in a similar manner vis-a-vis other heads of states.

In his capacity as Rio Group spokesman, the Chilean foreign minister has stated that member countries will respond to what has happened. Let us hope that our Foreign Ministry will not wait until then, for if Latin

American countries tolerate this it is not too far-fetched to imagine that in the future, the United States will cancel the entry visa of presidents accused of "having insufficiently eradicated coca crops," of "trading with Cuba," or other charges — whether real or trumped up — that can be alleged in order to destabilize those countries.

Peru: Daily on U.S. Strategy Behind Visa Cancellation

PY1707232096 Lima GESTION in Spanish 14 Jul 96 p 24

[Editorial: "Samper and Washington's 'Veto'"]

[FBIS Translated Text] After Colombia's refusal, some weeks ago, to extradite drug traffickers as requested by the U.S. Government, a strong reaction from Washington was expected.

The reaction came on Thursday with the cancellation of the visa of President Ernesto Samper to enter U.S. territory. It is a harsh blow to Samper and a strong U.S. gesture. The closest precedent was a similar measure against Kurt Waldheim in 1987, ex-UN secretary general and Austrian foreign minister at that time, after his Nazi past was disclosed.

With this sanction, the U.S. State Department categorically conveys its dislike for the Colombian Congress' decision to exonerate Samper from the narcoscandal. But there is something more serious: U.S. officials claim to have evidence of the president's link with drug trafficking.

The significant point is that the sanction did not come with the breaking of diplomatic relations with Colombia. State Department spokesman Nicholas Burns said that bilateral contact would be maintained through U.S. Ambassador Myles Frechette in Bogota, and through Colombian ministers who are not suspected of having links with drug trafficking.

Obviously, this decision shows the State Department intention to concentrate all its beams on Samper. It has also been noted that with this measure, Clinton avoids imposing economic sanctions on Colombia, although any type of pressure cannot be excluded.

In any case, it is not an exaggeration to see in this sanction some kind of "official veto" of the Colombian president, which makes one wonder about Samper's immediate political future.

The belief more widely heard is that the cancellation of the U.S. visa is the most direct action Washington could have taken to precipitate the fall of the Colombian president. It is reasonable, however, to ask if, on the

contrary, Washington did not extend to Samper survival for the short term. Because it is politically unlikely that a president elected in general elections would resign after being disapproved of by a foreign government.

The anti-U.S. environment flourishing in Colombia since the decertification of the country in its fight against drugs should also be taken into account. It should not be forgotten that a few weeks ago when Washington requested the extradition of a group of Colombian drug traffickers, the majority of the people opposed the request. That adverse feeling against the United States will grow after the sanction on Samper, aside from the beliefs about his alleged narco links.

The question now is whether Ernesto Samper will be able to take advantage of the nationalism that was spontaneously activated by the U.S. announcement. Or whether his opponents, who are not a few, will exploit the international discredit of the president to present him as individually responsible (that would be Washington's aim) for the nation's discredit.

In the Latin American environment, the cancellation of Samper's visa creates concern, and it is seen as U.S. interference in the internal affairs of other countries. Although this is not quite the case, because the U.S. Government made a decision concerning an entry into its territory, naturally the repercussions on Colombian politics, or on any other country, will always be obvious.

This event is poisoning the relations between the region and the United States, which already stumbled into each other during the latest OAS assembly, which condemned the Helms-Burton Act. (The Rio Group is now evaluating a communique in this regard). But it is also a warning for all countries that drug trafficking is beginning to enter their institutions. Therefore, one would have to ask whether this time Washington talked to Bogota so that Lima and La Paz would also listen.

Peru: Analyst Evaluates Weakening of Fujimori's Power

PY1607151296 Lima LA REPUBLICA in Spanish 10 Jul 96 p 6

[Article by Mirko Lauer: "Weakening Political Power"]

[FBIS Translated Text] Although President Alberto Fujimori is being hounded from various sides, he is disguising it well through the activities allowed by the presidency. This fact is also being hidden by the absence of a real opposition. Yet the winner of the April 1995 elections already has the typical problems that face a president in his last years of administration.

Fujimori has lost two key issues so far this year: the people's hope for an economic model and the public

sensation of a monolithic power in the government. Most people believe there are alternatives to the current economic policy that keeps the country on a tight rein, and it is now obvious that some apparent Fujimorists seek a change.

The many accusations against public officials, indicating that this administration cannot throw the first stone on administrative morality, is more than a brawl among factions. It has all the peculiarities of a real offensive against the image of President Alberto Fujimori, which is being orchestrated from within the administration.

But what really affects Fujimori is his inability to change the economic course and thus reverse the fast drop of his popularity, which is about to hit 50 percent. He has been told he will recover some strength in 1998 or 1999, but meanwhile the forces advocating a democratic change are growing.

Fujimori reacted with two answers: To put on his colorful country clothing and visit the countryside, and to unleash attacks against his more visible competitors. The first is not working and the second shows it can be self-defeating. It is as if his psychosocial teams were not fully responding.

The Fujimori initiatives, which were in the past tolerated, and even admired and applauded as a sign of political energy, are now received with displeasure. I refer to issues like the shameless offensive against Lima Mayor Alberto Andrade, testing the ground for a second reelection, and the efforts to restrict some investigations that are getting uncomfortably close.

Many people see in Fujimori's problems a simple summation of mistakes. The mistakes are there but their context is that Fujimori is dodging obstacles placed in his path. If one considers the military narco-equipment, the old buddies under the magnifying glass, the misinformation on the foreign debt, and the cut in popular capitalism, one can see the situation is changing.

The basic change is that for four years the defense of law and order was synonymous with Alberto Fujimori's defense of our greater interests. There are now more interests, inside and outside the country, that are no longer so secure. Especially when some people are convinced the institutionalization of reforms needs a real operational juridical order.

Fujimori's power continues strong but it no longer includes the most important economic decisions or cover the almost total handling of the press, or count on a virtually unconditional public opinion support. In sum, the mistakes keep piling up and are at the same time becoming more serious.

Peru: Brady Plan To Reduce Debt to Banks by Over Half

PY1807040096 Madrid EFE in Spanish
1715 GMT 10 Jul 96

[FBIS Translated Text] Lima, 10 Jul (EFE) — According to a study by the Peruvian Congress Budget Commission, the Peruvian debt to the banks, amounting to some \$10 billion, can be reduced by more than half through the Brady Plan Agreement approved by Peru and the banks.

Carlos Blanco Oropeza, government congressman and president of that commission, has told EFE that the study represents "a first rapprochement to the Peruvian Brady" plan, in which some projections on some basic points of that agreement have been made.

The Brady Plan of Peru, achieved in March 1996, after some two years of negotiations, is the last agreement to be signed by a Latin American country to refinance its debt to the banks, which in the Peruvian case has not been paid since 1984.

That year, Peru suspended all its payments to banks and suspended also all types of talks with those creditors.

The principal of that debt amounts to \$3.8 billion, while the accrued interest reached approximately \$380 million annually.

The congress document estimates that the overdue accrued interest not paid since 1984 amount to some \$4 billion, while interest on overdue interest reached some \$2.2 billion.

Both figures have been calculated in the study, which is based on the fact that half of the loans had been contracted based on the Prime Rate [preceding two words in English], the other half based on the LIBOR [London Interbank Offered Rate] rate, and with an average "spread" [preceding word in English] of 1.5 percent annually, "so that the projections will be as realistic as possible," Blaco said.

The final figures of that debt are still in a consolidation process, for which Peru contracted with the firm J.P. Morgan, "so that the task be held with a technical view and an impartial manner."

Concerning the reduction of the eligible debt through the Brady Plan, Blanco said that overdue interest will be reduced by \$544 million if J.P. Morgan applies in the recalculation an average LIBOR rate of 7.325 annual [figure as received], and the interest on unpaid interest will be reduced by \$2.082 billion if an average interest rate of 2.5 percent is implemented.

Blanco said that in the case of a repurchase of the debt agreed upon within the Brady Plan, Peru will reportedly achieve the greatest reduction of its debt to the banks, which could drop up to 73 percent of the total.

Blanco explained: "At the moment of auctioning the debt titles, the current prices of those values in the secondary market will be referential, because the total debt will be offered to a single purchaser, Peru, which could raise it to the amount it wants."

Blanco added that the option to reduce in a drastic manner "could reduce the costs of the debt, but would also originate a new debt service, as a means of payment of the principal and interest, higher than Peru's payment capabilities."

"In other words, we could reduce the costs of the debt, but we could fall into insolvency within the next few years. It would be better, therefore, not to be very ambitious in reducing it and guarantee the fulfillment of the commitments assumed," he added.

He explained, as an example, that should the debt titles be purchased by Peru at the rate of 73 percent of its face value, it would need a financing of \$2.7 billion to reduce the debt to 27 percent of the current account.

"Nevertheless, to finance those \$2.7 billion in a 10 year period, it would be necessary to assume the payment of \$470 million yearly, which is much above the country's payment possibilities," he said.

The Peruvian Government intends, however, to earmark within the next few years an annual average of some \$300 million for overall foreign debt service, which rises to \$32 billion.

That service will be increased in a progressive manner during the next few years in a proportional manner with the increase in exports and the consolidation of the Peruvian economic growth, as reported in the agreements with multilateral organizations.

Meanwhile, it was reported that the deadline for Peru's creditor banks to adopt one of the payment forms established in the Peruvian Brady Plan will fall due on 31 July, after which the agreement and the appropriate reductions will be implemented.

Peru: Events Damaging Fujimori's Administration Evaluated

PY1607230196 Lima GESTION in Spanish 11 Jul 96
p 8

[From the "Political Analysis" column]

[FBIS Translated Excerpt] The pressure on the administration of Lima Mayor Francisco Andrade is increas-

ing with the announcement of more cuts to his powers. But he is not the only one under pressure. The emphatic remarks made by Armed Forces Joint Command Chairman General Nicolas Hermoza Rios shows there is interest in finding a quick answer to the discovery of the narcoships only two months after the narcoplane case. If in addition to those cases, we add the new one involving Second Vice President Cesar Paredes Canto and the cases of corruption reported for several weeks, we have a situation that continues in turmoil.

The threats against the administration of Mayor Andrade from different government fronts continue to accumulate. The threats come from organizations of the executive branch and Congress, where Congresswoman Maria Jesus Espinoza, whose closeness with ex-Minister Absalon Vasquez was pointed out, is reportedly becoming something of a leader in the offensive against the Lima municipality.

A brief summary of the problems Mayor Andrade is getting from the government include the possible withdrawal of the parks from the municipal administration. The same thing would happen in the administration for collecting road tolls.

But that is not all. There is also the opposition of the Transportation and Communications Ministry to the bidding called by the Municipal Council for building a bus station. Some government sectors are also objecting the municipal right to grant property titles.

In the midst of so many obstacles, the Lima mayor is trying to carry out his plans. He did it, for example, with the privatization of the cleaning service. The Relima company is already carrying out its cleaning operations. But Congress still plans to review the contract.

While the mayor tries to keep his composure, which does not exclude some criticisms of the government, the government and the presidential image in particular are being tarnished because the people in general look at the campaign as an open aggression. The July polls will clarify if this is indeed a vulnerable flank for the public evaluation of the government. [passage omitted]

The discovery of the two narcoships can also become another critical flank, especially in the context of the insistent talk about moralization. General Hermoza Rios has reacted with relative quickness about taking drastic measures to punish the personnel responsible for the scandal. [passage omitted]

There are other cases that can still affect the government.

One of them is the Inabif [National Family Welfare Institute] case, which is in the information-gathering phase

in court. Inabif former President Ana Kanashiro does not seem to be willing to sacrifice herself. Therefore, a long process with her eventual accusations or the impact of her image created by sweeping her jail the first day she was in prison could have a boomerang effect on the government.

Another case that is boiling is the second vice president's alleged or real responsibility on the scandals in the Ricardo Palma and San Martin de Porres Universities (and presumably in other universities).

So far, the second vice president has received harsh criticisms from congressmen, even from the official bloc. The request to dissolve the National Assembly of Rectors was refused by the vice president, who is not willing to resign. [passage omitted]

Peru: Cabinet Reshuffle Said Unlikely

PY1807114496 Lima LA REPUBLICA in Spanish
12 Jul 96 p 6

[Article by Mirko Lauer: "Don't Wait for Me in July"]

[FBIS Translated Text] The traditional mid-year rumors about a cabinet reshuffle have not yet begun to circulate. Perhaps this is due to the fact that many ministers have been in office for a relatively short time or to the continuing political reverberations of the April cabinet crisis [when Prime Minister Cordova resigned]. Perhaps President Alberto Fujimori is simply not entertaining the idea of a cabinet reshuffle.

This would be a pity because there are a few portfolios which are clamoring for a change, particularly that of Jorge Gonzalez Izquierdo, who commutes back and forth from the Labor Ministry to Copri [Commission for the Promotion of Private Investment] headquarters in order to discharge the duties incident upon the two positions he holds. Under normal circumstances, the successive military and political scandals would have prompted a change of minister. Nevertheless, noncommissioned officers come in very handy for suffering the consequences of such actions.

Another argument that can be put forward to account for the incumbent administration's failure to carry out a cabinet reshuffle is that nearly all the current ministers of state are so lack-luster that their removal would not have any political effect at all. Instead of projecting an image of renovation, such changes might convey an image of instability. Moreover, contrary to all appearances, it is becoming increasingly difficult to gain new recruits for the cabinet.

A reason for this being so is that the current adjustment is leaving ministries little leeway. Except for the Ministries of Economy, the Presidency, and Foreign Affairs,

ministers increasingly occupy themselves in whittling down the number of civil servants. All savings will be duly given to the public by Fujimori himself.

This is the reason why ministers' popularity has reached rock-bottom. Datum, a firm which conducts public opinion polls and which would not skimp on points scored by the Fujimori administration in a survey, gives a complex picture: [Minister of the Presidency] Jaime Yoshiyama (49 percent), [Economy and Finance Minister] Jorge Camet (43 percent), [Education Minister] Domingo Palermo (31 percent), [Prime Minister] Alberto Pandolfi (27 percent), [Labor Minister] Jorge Gonzalez (27 percent), and [Energy and Mines Minister] Daniel Hokama (24 percent) are not very much liked by the public.

Another reason for not expecting any changes is that the current cabinet, which to a large extent comprises persons coming from the private sector, is favorable to an economic program which will not be modified. Probably, this is the team that will journey across the desert accompanying Fujimori in these lean years until they arrive at the promised land in 1998-1999.

The problem that such a cabinet poses for Fujimori is that all demands and dissatisfaction of the public are directly addressed to the head of state. Fujimori was not concerned about this version of direct democracy — in which the very idea of ministers' political responsibility has disappeared — when things were going better and does not seem at present to be concerned about it either.

This notwithstanding, there may still be surprises. Not every cabinet reshuffle follows the logic of rational election. There are also other considerations like friction between persons, the need to promote a friend to the rank of minister, or reinstate him as cabinet member after his banishment. The president has not yet recovered from the downfall of the cabinet under Prime Minister Cordova and from Santiago Fujimori's dismissal.

Lastly, there is also the possibility that Fujimori is refraining from making any changes because he does not have real power to effect them or at least to institute those changes that could improve his political prospects.

Peru: Editorial Hails Ecuadoran President-Elect's Style

PY1607235096 Lima EXPRESO in Spanish 13 Jul 96
p 30

[Editorial: "Bucaram Starts Off on the Right Foot"]

[FBIS Translated Text] Ecuadoran President-Elect Abdala Bucaram's opening gambit has been swift and unambiguous so as to unmistakably convey the idea that

he intends to have a serious administration which advocates economic discipline and is determined to settle the [border] dispute with our country — something he views as a precondition for attracting the necessary foreign and domestic investments into Ecuador.

In fact, Bucaram's first gesture was clear and brilliant — he went to the border with Peru to meet with mayors and retailers in order to promise them a solution to the dispute, something which will guarantee mutual prosperity. The president-elect has also requested Foreign Minister Galo Leoro to continue being in charge of the same portfolio after his inauguration. This may mark the starting point for the institutionalization of a modern and responsible Ecuadorian state.

Peru applauds these gestures, which enable us to cherish the hope that a definitive solution will be found to the border nightmare. Ecuador needs a strong and brilliant leader who, with realism and resoluteness, is capable of making headway along the path that finally leads to economic progress. This is especially so in the case of Ecuador, whose economy is smaller and therefore, the burden of military spending that it has to shoulder is proportionally heavier.

Let's hope that the Ecuadorian military command will be flexible and intelligent enough for accepting this change. True national security lies in the economic strength of a country rather than in its arsenal of weapons. To this end, Ecuador must deepen its reforms and considerably reduce outlays on defense. Nevertheless, Ecuador will not be able to achieve this if it maintains an open wound.

Venezuela

Venezuela: Payment Agreement Reached With Paris Club

PA1307191896 Caracas REPORTE DIARIO DE LA ECONOMIA in Spanish 10 Jul 96 p 5

[Report by Armando J. Pernia]

[FBIS Translated Text] The Venezuelan Government has reached an agreement with the Paris Club whereby Venezuela will defer until December the already overdue payment of \$110 million for last year's foreign debt payment. Finance Minister Raul Matos Azocar has announced at the congressional Finance Commission, where he has defended the budget draft for 1997.

Matos has said the agreement was reached as the result of the international banks' acceptance of Venezuela's economic adjustment policy and the possibility of an agreement with the IMF. He went on to say that the budget proposed for the next fiscal period in true terms is equal to the adjusted budget. Nevertheless, he has admitted the increase in nominal expenditures by more

than 40 percent is inevitable because of the effect of inflation.

According to the Central Budget Office, the service of the foreign debt for 1997 has been recalculated at 2.502 trillion bolivares, a figure which has caused concern in all political factions in the Chamber of Deputies Finance Commission, because it represents 70 percent of the oil revenue recognized in the project, which is estimated at 3.8 trillion bolivares.

Deputy Rodrigo Cabezas has said the budget proposal demonstrates that the government has made the wrong decision between growing with inflation and lowering inflation without growth. He has said the executive obviously chose the second alternative.

Something similar was said by Copei [Social Christian Party] Deputy Jose Medina, who has noted that the Venezuela Agenda can be measured if the debt service is compared to investment expenditures, because the expenditures incurred in the formation of capital goods and financial investment amount to 400,000,000 bolivares, a figure which represents less than 1 percent of the GNP, he has said.

It is worth noting what the government regards as relevant aspects of public expenditures for the 1997 fiscal year. The service of the debt will absorb 7.41 percent of the GNP; that is, 32 percent of expenditures. Legal expenses (constitutional allotment, labor benefits, and salary raises) eat up 7.17 percent of the GNP; that is, 31 percent of expenses. The ministries' sectorial budgets amount to 6.05 percent of the GNP. Universities absorb 4 percent of the GNP, and direct social benefits absorb 6 percent of the GNP.

An Entire Renegotiation

Parliamentary sources leaked yesterday, however, that the government today will be unveiling before Congress a strategy to renegotiate the country's external debt corresponding to the 1993-1994 period, as well as an agreement to restructure the executive branch's 1.5 billion bolivares debt with the Central Bank of Venezuela.

The parliamentary bloc of the Convergence Democratic coalition already has agreed to request the inclusion of both projects on Congress' special sessions agenda so they may be discussed and subsequently approved by resorting to the means of constitutional urgency.

According to the same parliamentary source, the government is involved in a negotiation on the conditions for the capital repayment beginning as of 1998. Only interest payments will be made during the next two years.

Everything suggests the government has been able to secure the required political consensus to have both initiatives approved. As for the external debt proposal, the executive branch believes the debt service could decline to at least 25 percent of the amount initially estimated in the 1998 budget, a target which had originally been anticipated for 1997, but a required adjustment was not approved on time.

Extension: Impossible

Despite all the political objections, criticisms, and disagreements about the 1997 budget proposal, the various political factions have already stated they intend to support the project, although most certainly with certain adjustments.

Obtaining an extension would seem the most improbable of the options available most of all because the political parties understand that the previous extension experience was traumatic, most of all due to the additional loans that had to be approved.

National Convergence Deputy Juan Sosa Maury has said that the 1997 budget is balanced and that there is no reason why there should be any need for an extension.

Sosa Maury has said his movement anticipates a rapid debate on the budget issue so the government's public finance system reform arrangement with the "Andres German Otero" Foundation also may be discussed.

Ordinary Fiscal Revenues

(millions of bolivares)

	Extended	Substituted	
	1996	May 1996	Difference
Petroleum	1,253,957	2,316,827	1,062,870
Non-Petroleum	1,899,360	2,159,049	259,689
Total	3,153,317	4,475,876	1,322,559

Financing of Additional Credits

- 1. Approved by the Council of Ministers (17/04/96)	(372,462)
- 2. Requested of Congress (25/06/96)	(323,895)
Available Balance ?	626,202

Venezuela: Investment Fund President on IMF Credit

PAJ707152296 Caracas Venezolana de Television Network in Spanish 0200 GMT 13 Jul

["Exclusive" interview with Alberto Poletto, president of the Venezuelan Investment Fund (FIV) by Maria Eugenia Ramirez, at the station's studios — live]

[FBIS Translated Text] [Ramirez] Good evening, welcome to "The News." I think we can begin by explaining the benefits of this agreement with the IMF, which has been officially announced, and which will enable the country to receive a credit for approximately \$1.4 billion.

[Poletto] Thank you very much for your invitation. I believe that this is a day of great importance for the country. The signing of the agreement with the IMF, and the approval by the IMF of the Venezuela Agenda, prepared by Venezuelans to fit Venezuela within the framework of a macroeconomic plan, is indeed a historical milestone in the country's economic development.

We will all benefit from this agreement. First of all, because it gives credibility to the country. The more credibility and confidence we have domestically and abroad, national and international investors will be more interested in investing in our country.

[Ramirez] You have said that this will be very positive. How will it reach the people, how will the positive aspect be felt after the credit is received?

[Poletto] I was going to explain that. First of all, by attracting investments, which in turn generate jobs, and wealth. This will directly benefit the people. Second, because it opens the doors to international credits. This means that programs handled by the World Bank, the Inter-American Development Bank [IDB], the Eximbank, and other banks and multilateral and bilateral institutions will enable us to receive money to intensify the government's social programs, such as housing projects, food programs, and programs to achieve substantial improvements, and social welfare in general. Those benefits will reach the people directly. That's a fact. Third, the program with the IMF is basically aimed at controlling macroeconomic unbalances. In other words, preventing price hikes. The best benefit for the people...

[Ramirez, interrupting] How will you achieve that? What process will be followed?

[Poletto] Through fiscal discipline. This is a complex matter. Fiscal discipline entails a reduction of the fiscal deficit this year through an aggressive privatization

plan; eliminating indirect subsidies to certain items, such as gasoline; adjusting tariffs, which could seem contradictory as it calls for an increase now, but will bring stabilization later. Through all these measures, we will be building the platform to prevent price increases. We should not create false expectations. We will not be returning to the prices that prevailed two, three, four, or five years ago.

[Ramirez] Yes, because people believe that they will start feeling the effects of this tomorrow or immediately...

[Poletto, interrupting] No, no, no. That credit we will receive from the IMF will basically go to our international reserves, and to solve problems in our balance of payments. Subsequent credits from the World Bank, IDB, the CAF [Andean Development Corporation], part of which has already been disbursed, will be used in social programs and to finance other activities.

[Ramirez] Could we say that this money is given as a support, a point of reference for investments? Will it contribute to expedite the privatization process that the IMF is currently promoting?

[Poletto] That is correct. It will be a very important factor to increase the confidence of foreign and national investors who have their money abroad waiting for better opportunities. It also implies discipline, within the framework of a coherent economic plan that had been proposed in the past. We have an economic plan, so well-designed that it has received — let us say — the backing of the IMF. This will require follow-up and discipline. There is nothing worse than turning back. Since we have taken this step, we must move forward, consolidate the program with the IMF, open up and free our economy as much as possible. This means that in the near future, in approximately one year, we should have total control of our macroeconomic balance, and we should have a Venezuela with an inflation totally under control, with greater investments, more jobs, a growing economy, and creating wealth for all Venezuelans.

[Ramirez] When you talk about how this will be reflected in the privatization process, what are your expectations in this concern?

[Poletto] This definitely creates a favorable atmosphere for those who wish to purchase Venezuelan products, particularly those who want to invest in Venezuela. The privatization process offers a broad range of alternatives both in telecommunications, as in the case of CANTV [National Telephone Company of Venezuela] — we will put up CANTV shares for sale in the capital market in November, both at national and international level. Obviously, these shares will cost more now and they

will be in greater demand because there is confidence in the economic policies of the country, which currently owns that percentage of shares in the communications sector. We have investments in Guayana — both in aluminum, iron, and steel — and, in the measure that we have an adequate regulatory framework and a reliable rather than optional tariff list, we will also have a high possibility of privatizing what are considered hard nuts to crack, for example CADAPE [Electrical Administration and Development Corporation] and the electric sector in Venezuela. We also have hotels, Avianca [Colombian National Airways] [as heard], and the Andean Cement Company. In sum, we have a list of more than 22 enterprises in the privatization process, so investors will be more encouraged to do business in Venezuela.

[Ramirez] Referring to the employment sector, the area that most affects the people because employment sector is being increasingly reduced due to this economic crisis, what are your predictions, or what is foreseen once this international credit is obtained?

[Poletto] Well, there are no predictions in the short term. There should be a balance between the employment sources and the employment offer, until the economy is fully bolstered. Remember that this is a macroeconomic stabilization program. A program for the country's economic reactivation must be implemented immediately afterwards, or simultaneously.

[Ramirez] What does this imply?

[Poletto] This implies making new investments; sponsoring the participation of all the Venezuelan people in the investments; generating new jobs; generating an aggressive construction program — for example, in the housing sector, to generate employment and provide houses to the Venezuelans. This actually means reactivating the economy.

[Ramirez] Is this...

[Poletto, interrupting] The plan will not work if we do not do it with this. This plan works as an initial improvement, but we must implement the future reactivation program. There are three basic things we must solve: The foreign debt issue; the state reform issue; and the social security issue. When we really tackle these problems and solve them, we will be guiding Venezuela toward an overall development.

[Ramirez] Well, we all expect to overcome the severe crisis that currently affects us; and, as people say, that growth is achieved in the national and international sector. I know we have little time left but could you summarize, in two or three phrases, if you have received reactions at local and international level in this concern?

There were expectations and people knew it would be approved.

[Poletto] Of course, the best testimony is that many foreign companies and investors have approached my office. They are eager to participate and invest in Venezuela, through the enterprises that we are privatizing.

[Ramirez] All right. Thank you, FTV President Alberto Poletto. We share that optimism with you and we hope that everything will change; and that the pledge reasserted today with the IMF proves positive for all the country.

Venezuela: Effectiveness of TO1 Analyzed

96SM0419A Caracas EL NACIONAL in Spanish
18 Jun 96 p 1

[Received via Internet]

[FBIS Translated Text]

Political Sector: TO1 Has Brought Out Shortcomings in Intelligence Work

One year after Theater of Operations 1 [TO1] was reactivated, the Congress of the Republic has not assessed its results, although it was empowered to do so; and the political parties have not included the topic on their weekly agendas for discussion. Nor do citizens have reliable information on the role that this military theater is playing along our border.

TO1 was reactivated as an ad hoc measure in response to the attack perpetrated by the ELN [Army of National Liberation] in Carabobo during the first quarter of last year. Nevertheless, even though it has been maintained through heavy outlays of resources, hostilities have not ceased and kidnappings continue, as do other border crimes. Recent guerrilla raids have even prompted some frictions between the defense chief and the governors of border states, who do not share the "Orozco philosophy."

The "back and forth" between the governors and Orozco suggests inconsistency in the policies to preserve our sovereignty. Hence these questions: Has the work of TO1 been effective? Luis Manuel Esculpi, the head of the MAS [Movement to Socialism] congressional group and a member of the Defense Committee in the Chamber of Deputies, is of the opinion that TO1 has not been a total success, and underscores major shortcomings in such areas as intelligence work. He clarifies first off that this is not "criticism" of either TO1 or the officers in charge of it; rather, it is an "objective situation that the FAN [National Armed Forces] have no doubt also analyzed."

TO1 has been unable to develop counterintelligence action to detect and prevent the actions of Colombian insurgents. For example, in the Carabobo incident the Combined Headquarters had information that an attack was being prepared against a major border post; yet owing to confrontations with the intelligence director at the time and with his second in command, who was the army commander, this information does not seem to have been duly processed. As for the kidnappings, Esculpi feels that this is not just the responsibility of the FAN. "There should also be intelligence work by the State because the FAN are not there just to protect ranchers but to preserve our sovereignty as well."

The MAS deputy also emphasizes the issue of Colombian labor on Venezuelan estates. In this regard it bears remembering that Minister Orozco — and, at some point, former President Carlos Andres Perez — criticized the ranchers who hire Colombian workers "because they are cheaper." "When these people leave the estates," Esculpi explains, "they are readily recruited by the various guerrilla groups and receive information about people and their assets. But this is more of a civilian than a military issue, although since there already is a TO1, this tense situation affecting the civilian population should be averted more effectively."

Is the presence of TO1 still justified? "I think that there ought to be an objective assessment, but we should also ask: If it were not there, what sort of situation would we be in now?" Humberto Celli (AD [Democratic Action]), the president of the Latin American Parliament, agrees with Esculpi, but is more radical: "Efforts along the border, both intelligence work and crackdowns, have been practically nonexistent in recent times. Democracy has been relaxing its own defense mechanisms, especially the intelligence services and even the police and military agencies. The peasants along the border have been ignored. Today we do not know whether the peasants are more afraid of certain FAN actions than of the guerrillas themselves..." Celli says that the FAN, "not realizing" that the peasants have been frightened by the guerrilla attacks, treat them as though they were accomplices "and at times ride roughshod over them, thus generating further opposition in a sector that is key to this struggle."

"Moreover, the political will is lacking to make FAN officers feel that there is a force behind them to defend them, and when abuses are alleged no one raises their voice to protect these officers because they do not want to give the impression that there is a state of war and that some abuses may be committed. No officer is going to devote himself body and soul and put his life and military career on the line." As far as this lawmaker is concerned, the border with Colombia is almost a "no-man's

land," and he denies that border crime has declined after TO1 was reactivated. "Rather, the situation in the state of Tachira is dramatic and has, in fact, spread to Merida and Trujillo. Ties are developing between the guerrillas and common criminals in Venezuela. Kidnappings have become almost a common occurrence, and the kidnapers are asking that ransoms be paid in installments; this is scandalous..."

This is why he argues for hot pursuit and calls for the creation of a 50-kilometer strip on either side of the border in which the FAN and intelligence services can operate, "because the borders cannot be a safe haven in which you commit a crime and then run to the other side." He feels that TO1 has begun to undergo "psychological wear and tear," as has the policy of hot pursuit. "When I proposed it, Samper, Pardo, Burelli, and even Caldera agreed, but Minister Orozco less so, though he supports it now, too. But people are opposed to hot pursuit because they think that it's aimed at Colombia. The same goes for TO1 because of the opposition that it has had." Instead, Celli advocates a policy that is coordinated with the border-state governors: "This has to be done because in the final accounting the civilian population of those states is the one paying for these mistakes..."

**Venezuela: Survey on Consumer Behavior
Presented**

96SM0419B Caracas EL NACIONAL in Spanish
19 Jun 96 p 1

[Received via Internet]

[FBIS Translated Text] The monthly expenditures of households rose from 23,504 bolivares in November 1990 to 167,249 bolivares in May of this year, a 712 percent increase. The sharpest rise was in medical expenses, which were up 1,229 percent, followed by transportation, which was up by 991 percent. The monthly bottom line of households is negative (expenses exceed income) by around two percent, rising to 12.5 percent and 12.8 percent in socioeconomic classes D and E respectively. As if this were not enough, 42 percent of households feel that they will be worse off over the next five years.

These data are from the eighth in the consumer surveys that McCann-Erickson has been conducting since 1989, and were presented yesterday by Rayza Gamez, the vice president of strategic planning. The methodology of the McCann survey was to interview individuals in their homes. Each survey involved 200 interviews distributed proportionally within the universe made up of socioeconomic levels A, B, C, D, and E. Fieldwork

was conducted, and the data were then processed and analyzed.

The findings of the study show the power of inflation, which — despite the resistance that consumers have shown so far — wound up forcing them to change their habits and behavior. One of the most significant changes can be seen in the fact that last year one-quarter of housewives entered the job market. Not even in 1989 was such a large number reported, as only 14 percent did so that year.

Rayza Gamez explained that although there has been evidence since 1989 that consumers were having to cut back on their spending, alter their lifestyles, and prepare for a future that promised to be very trying, the findings of previous surveys revealed that consumers were resisting change and sought to prolong the lifestyles to which they had become accustomed. In doing so they depleted their capital because they had to sell some of their assets and use up their savings.

The findings of the most recent survey show that they have now changed. They could no longer hold out. Fifty-eight percent of consumers indicate that they are working at present, and 76 percent of them say they are seeking better pay, which indicates that they are dissatisfied with their current income level. Another finding of the survey is that unemployment among men is 25 percent and among women 18 percent. The average monthly outlay of consumers at large is 167,249 bolivares, up 44 percent from the 116,463 bolivares in May of last year; this is the first time that the rise was less than inflation for the year (remember that it was 56.6 percent in 1995). This suggests that for the first time, the increase in expenditures was not enough to make up for the rise in prices and that, also for the first time, consumers have stopped consuming at the level to which they were accustomed. It bears noting that 29 percent of spending is for food, but at level E this figure rises to 43 percent, which means that the lower-income sectors spend almost half their money on food.

Consumers say that on the average their household's total spending was up 92.1 percent last month, compared to the average rise of 44 percent reported for the May 1994-May 1995 period; this means that in a single month (April to May 1996) spending almost doubled, very close to the projected inflation rate for all of 1996. As for medical expenditures, in 1993 just 29 percent of households said they had avoided visiting the doctor whenever possible. In May of this year, two-thirds of households were avoiding such expenditures. The McCann study states, among other conclusions, that it has been monitoring consumer behavior since April 1989 across three administrations and many different

economic, political, and social measures. Consumers have gone from not showing much concern about either the past or the future, living for the present intensely amid something of a boom, to starting to worry about the present and finally truly worrying about the present and the future. They are saying that they are feeling the impact of inflation today as never before.

Venezuela: CTV Study Proposes Worker Benefits Changes

96SM0419C Caracas EL NACIONAL in Spanish
27 Jun 96 p 1

[Received via Internet]

[FBIS Translated Text]

CTV [Venezuelan Workers Confederation] Looking Into Possibility of Waiving Retroactive Benefits

"Organized labor has overcome its resistance to talking about retroactive benefits, in exchange for the establishment of a security system like the one that is being suggested, as well as the individual capitalization funds and recreation areas, education, and job training." This is what can be gathered from the study that the Jurists Commission is working on after the CTV charged it with drafting a proposal from organized labor that could replace the current system of social benefits with a comprehensive-security system. The CTV secretariat met yesterday to consider the preliminary report from the commission that Attorney Carlos Saiz Munoz chairs.

Among the Jurists Commission's main proposals are: 1. First, that no changes be allowed unless they are consistent with the provisions of Article 128 of the Organic Labor Law [LOT], that they be simultaneous and concurrent so that the buying power of the workers is immediately restored. Second, that the time period for establishing the system when there is no collective-bargaining agreement be honored, and that it be governed directly by an employer-employee accord; when there is a collective-bargaining agreement, either for the public or the private sector, it must provide for an increase in buying power. 2. The policy of indexing is abandoned, because Cordiplan [Office of Coordination and Planning] has declared it "inflationary." It has been replaced by the price of the basic shopping basket of 30 items, which according to the Council of the National Economy presently costs 87,500 bolivares per month. This would be the amount for each scale that a worker has [as published]. Adjustments in accordance with the basic shopping basket would be made quarterly; when wage hikes moderate, the number of products in the basic basket increases, and the prices for the food industry are listed voluntarily. 3. That the amount of en-

titlements not be diminished, in accordance with Article 108 of the LOT; this also applies to workers who have more extensive conventional rights, such as the workers in the oil industry, who enjoy triple retirement compensation. 4. That the social-security system be updated to expand protection for workers in four areas: unemployment insurance and higher old-age, disability, and survivors benefits in accordance with the cost of the basic shopping basket. There should also be comprehensive medical care facilities for workers and their families while the Venezuelan Social Security Institute is being revamped, and they should also have access to the public services of the Ministry of Health and Social Assistance, of governors' offices, and of mayors' offices, to Military Medical Services, and to the services provided by the private sector (clinics, etc.), and by churches. The insured will have access to all these services, at their convenience, depending on the location of their WP and residence.

Venezuela: Government Presents Privatization Schedule

96SM0419D Caracas EL NACIONAL in Spanish
28 Jun 96 p 1

[Received via Internet]

[FBIS Translated Text]

Venezuela Submits List of Enterprises To Be Privatized in New York

Yesterday, Thursday, in New York, the Venezuelan Government submitted its wide-ranging program of privatizations in all sectors, including banking; it will earmark the proceeds to pay off our \$28 billion external debt.

Alberto Poletto, a cabinet minister and president of the Venezuelan Investment Fund [FIV], and the president of the Guarantee Fund, Esther de Margulis, outlined the privatization plan, which includes aluminum, steel, telecommunications enterprises, and banks, to a group of newsmen.

The EFE wire notes that Poletto and Margulis had submitted the plan on Wednesday in New York as well, at a one-day conference with United States investors. The cabinet minister emphasized that Venezuela's stabilization plan comes in response not only to the agreements signed three months ago with the IMF but also to the need to surmount the 1994 crisis through economic liberalization.

In this context he asserted that Venezuela has abolished controls on commercial transactions and prices (with the

exception of some electric power rates) and deregulated the financial system.

"Venezuela is committed to continuing the stabilization program and cannot go back," said Poletto, who felt that the economic plan would cut inflation to two percent a month by the end of the year and to one percent a month by early 1997.

The privatization program includes the sale of the Venezuelan Corporation of Guayana (CVG), which is involved in aluminum, iron, steel, and other minerals, and electric-power companies: Nueva Esparta, Enelbar, and Enelven-Enelco; in addition, 49 percent of the shares in the Venezuelan telephone company CANTV, 51 percent of which has already been privatized, are also up for sale.

It also calls for the privatization of the Dianca and Puerto Central shipyards, the Bella Vista, Humboldt, and Cablecar Caracas-Litoral and Aguas Calientes hotels, and the Monay cement company.

Poletto felt that CVG could sell for around \$3.5 billion and that the 49 percent of the CANTV shares could bring in more than \$2 billion.

The negotiations for the sale of the aluminum industry "are very far along," according to Poletto, who feels that the transaction could close late this year or early in 1997.

Margulis explained the program to privatize the Banco de Venezuela in August, the Banco Tequendama in September, the Banco Consolidado in October, the Banco Latino at the end of the year, and the Banco de la Republica in 1997.

The Venezuelan Government spent some \$4 billion to help the financial sector emerge from the crisis, according to Margulis, and expects to make between \$6 and \$7 billion from the privatization of the institutions in the Deposit Guarantee and Bank Protection Fund, Poletto said.

The first institution to be privatized is the Banco de Venezuela, the oldest in the country; the sale will begin on Monday, according to Margulis. Poletto explained that the program to stabilize the country, which was put into effect three months ago, also means "profound changes in the social-security system and the system of education.

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